COVER SHEET

PW-121

S.E.C. Registration Number

BANK OF THE PHILIPPINE ISLANDS

(Company's Full Name)

AYALA TRIANGLE GARDENS TOWER 2
PASEO DE ROXAS COR. MAKATI AVE,
BEL-AIR, MAKATI CITY

Atty. Maria Lourdes P. Gatmaytan	(632) 8663-6525
Contact Person	Company Telephone Number

12	31	17-A	04	23	24
Month	*Day*	FORM TYPE	*Month*	*Day*	
Fiscal Year			Annual Meeting		

N/A

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

11,760

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

STANDARD DOCUMENT COVER SHEET
FOR SEC FILINGS

All documents should be submitted under a cover page which clearly identifies the company and the specific document form as follows:

SEC Identification Number PW-121
File Number **

BANK OF THE PHILIPPINE ISLANDS
AYALA NORTH EXCHANGE TOWER 1, AYALA AVE. CORNER SALCEDO ST.,
LEGASPI VILLAGE, MAKATI CITY, METRO MANILA
(632) 8663-6525
December 31, 2023
SEC FORM 17-A

AMENDMENT DESIGNATION

FOR THE PERIOD ENDED DECEMBER 31, 2023
(if a report, financial statement, GIS, or related amendment or show-cause filing)

NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER
(state “NONE” if that is the case)

***** SEC will assign SEC No. to new companies.

****** SEC will assign File No. to new applications or registrations.

******* Companies should display the File No. on any filing which is an amendment to an application or registration.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended : **DECEMBER 31, 2023**

2. SEC Identification Number : **PW-121**

3. BIR Tax Identification No. : **TIN: 000-438-366-000**

4. **BANK OF THE PHILIPPINE ISLANDS**
Exact name of issuer as specified in its charter

5. **Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code [ ] : (SEC Use Only)

7. **22/F – 28/F Ayala Triangle Gardens Tower 2**
Paseo de Roxas corner Makati Avenue,
Bel-Air, Makati City **ZIP Code 1226**
Address of principal office Postal Code

8. **(632) 8663-6525 (CORPSEC OFFICE) / (632) 8663-6733 (IR)**
Issuer's telephone number, include area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common as of Dec. 31, 2023	**4,945,197,291**

11. Are any or all of these securities listed on a Stock Exchange?
Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates as of 04/05/24	**Market Value per share as of 04/05/24**	**Total Market Value**
5,259,201,283	P114.20	P 600,600,786,518.60

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

X (a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20 and 17.1(b);

(c) Any prospectus filed pursuant to SRC Rule 8.1-1.

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of business

(1) Business Development

The 172-year-old Bank of the Philippine Islands ("BPI") is the first bank in the Philippines and Southeast Asia, licensed by the Bangko Sentral ng Pilipinas ("BSP") to provide universal banking services. BPI is one of the biggest banks in the country in terms of total assets, capital, and market capitalization, and has a significant share of total banking system deposits, loans, and assets under management. It is recognized as one of the country's top providers of the following services: asset management and trust, cross-border remittances, life and non-life bancassurance, as well as asset finance and leasing. BPI also has a significant presence in the capital markets, particularly in fixed income and equities underwriting, distribution and brokerage. It is also a provider of foreign exchange to both retail and corporate clients. The Bank also has the country's second largest branch network and operates the fifth largest ATM network. It is a leader and innovator in the use of digital channels, and is a major provider of financial services through online and mobile banking.

Historical Background. Founded in 1851, BPI was the first bank formed in the Philippines and was the issuer of the country's first currency notes in 1855. It opened its first branch in Iloilo in 1897 and pioneered in sugar crop loans. It also financed the first tram service, telephone system, and electric power utility in Manila and the first steamship in the country. As such, BPI and its "escudo" ranks as one of the largest home-grown Philippine brands and carries an extensive legacy.

Recent History. For many years after its founding, BPI was the only domestic commercial bank in the Philippines. BPI's business was largely focused on deposit taking and extending credit to exporters and local traders of raw materials and commodities, such as sugar, tobacco, coffee, and indigo, as well as funding public infrastructure. In keeping with the regulatory model set by the Glass Steagall Act of 1932, the Bank operated for many years as a private commercial bank. In the early 1980s, the Monetary Board of the Central Bank of the Philippines (now the Bangko Sentral ng Pilipinas, or BSP) allowed BPI to evolve into a fully diversified universal bank, with activities encompassing traditional commercial banking as well as investment and consumer banking. This transformation into a universal bank was accomplished through both organic growth and mergers and acquisitions, with BPI absorbing an investment house, a stock brokerage, a leasing company, a savings bank, a retail finance company, and bancassurance platforms.

BPI has completed three bank mergers since the late 1990s. In 1996, it merged with City Trust Banking Corp., the retail banking arm of Citibank in the Philippines, which enhanced its franchise in consumer banking. In 2000, BPI acquired Far East Bank & Trust Company ("FEBTC"), then the largest banking merger in the Philippines. This merger established BPI's dominance in asset management and trust services and branch banking; furthermore, it enhanced the Bank's penetration of middle market clients. In 2000, BPI also formalized its acquisition of major insurance companies in the life, non-life and reinsurance fields. In 2005, BPI acquired and merged with Prudential Bank, a medium sized bank with a clientele of middle market entrepreneurs.

In 2011, BPI became the first bank in the Philippines to acquire the trust business of a foreign bank when it purchased the trust and investment management business of ING Bank N.V. Manila.

In 2014, BPI completed a strategic partnership with Century Tokyo Leasing Corp., one of the largest leasing companies in Japan, to form BPI Century Tokyo Lease & Finance Corp., with BPI retaining 51% of ownership. This strategic partnership is expected to help BPI innovate in asset financing products and enhance the service experience of an expanding base of Philippine consumers and corporations seeking asset leasing and rental solutions.

In 2015, BPI completed another strategic partnership with Global Payments ("GPN"), an Atlanta-based, NYSE-listed provider of international payment services. By combining its merchant acquiring network with that of GPN, BPI stands to provide enhanced services to its card customers, as well as to its merchant clients. The partnership with GPN remained 49% owned by BPI.

In August 2016, BPI acquired a 10% minority stake in Rizal Bank Inc. ("RBI"), a member institution of Center for Agriculture and Rural Development Mutually Reinforcing Institutions ("CARD MRI"), a group of social development organizations that specialize in microfinance.

Effective September 20, 2016, BPI has taken full control over BPI Globe BanKO, Inc. after acquiring the 20% and 40% stake of Ayala Corporation and Globe Telecom, respectively. On December 29, 2016, the Securities and Exchange Commission approved change of the corporate name to BPI Direct BanKo, Inc., A Savings Bank, after BPI Direct absorbed the entire assets and liabilities of BanKO.

On December 29, 2016, BPI successfully spun off its BPI Asset Management and Trust Group ("BPI AMTG") to a Stand-Alone Trust Corporation ("SATC") named BPI Asset Management and Trust Corp. ("BPI AMTC"). BPI AMTC officially commenced its operations on February 1, 2017.

The Bank evolved to its present position as a leader in Philippine banking through a continuous process of improving its array of products and services, while maintaining a balanced and diversified risk profile that helped reinforce the stability of its earnings.

Business Milestones (2021-2023).
In December 2021, the Securities and Exchange Commission approved the merger of BPI and its wholly owned subsidiary BPI Family Savings Bank, Inc. with BPI as surviving entity effective January 1, 2022.

In September 2022, BPI and Robinsons Bank announced plans to merge their operations to form a leading lender based on market capitalization. In November 2022, BPI's board of directors approved the proposed merger with Robinsons Bank. On January 17, 2023, shareholders approved the merger of BPI and Robinsons Bank Corporation with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023, as contained in the decision released by the Commission on September 13, 2023. The BSP through Monetary Board Resolution No. 1633 approved the merger on December 14, 2023, while the SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023. The merger was completed on January 1, 2024.

Principal Subsidiaries. The Bank's principal subsidiaries are:

a) BPI Capital Corp. ("BPI Cap") is an investment house that offers a full suite of services covering a comprehensive program: from corporate finance and capital markets advisory, project finance and loan syndication, to debt and equity underwriting and securities distribution. It began operations in December 1994. BPI Cap wholly owns BPI Securities Corp., a stock brokerage.

b) BPI Direct BanKo, Inc., A Savings Bank ("BanKo"), serves microfinance customers through branch, digital, and partnership channels. Founded in July 2009 as BPI Globe BanKO, it is now wholly owned, following a September 2016 purchase of stakes owned by Ayala Corp. (20%) and Globe Telecom, Inc. (40%) and a December 2016 merger with BPI Direct Savings Bank, Inc.

c) BPI International Finance Limited ("BPI IFL"), originally established in August 1974, is a deposit-taking company authorized and regulated by the Hong Kong Monetary Authority. It is also licensed by the Securities and Futures Commission of Hong Kong to undertake Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. Its principal business activities are: 1) providing banking services mainly in relation to term deposits and loans; 2) providing securities brokerage services in relation to dealing and advising on securities; and 3) providing asset management services.

d) BPI Remittance Centre Hong Kong Ltd. ("BERC HK") is a licensed money service operator in Hong Kong servicing the remittance services to beneficiaries residing throughout the Philippines. On November 21, 2018, BPI IFL distributed its shares in BERC HK as a property dividend to the Parent Bank. BERC HK became an immediate subsidiary of the Parent Bank following this.

e) BPI (Europe) Plc ("BPI Europe") is a UK-licensed bank authorized by the PRA, jointly regulated by the PRA and the Financial Conduct Authority (FCA). It has been in operation since 2007, and started off with a paid-up capital of £20 million, subsequently increased to £100 million after equity infusions in 2020 and 2021. The bank offers simple retail deposit products and engages in the proprietary trading of fixed income securities, foreign exchange and syndicated loans.

f) BPI/MS Insurance Corp. ("BPI MS") is a non-life insurance company. It is a joint venture with Mitsui Sumitomo Insurance Co. (who owns a 49% stake) and is the result of a merger of FGU Insurance Co. and FEB Mitsui Marine Insurance Co., which was acquired as a subsidiary of Far East Bank in 2000.

g) BPI Asset Management and Trust Corporation, doing business under the trade name and style of BPI Wealth – A Trust Corporation, ("BPI Wealth") is a stand-alone trust corporation serving both individual and institutional investors with a full suite of local and global investment solutions. BPI Wealth commenced operations on February 1, 2017.

h) BPI Investment Management Inc. ("BIMI") is a wholly owned subsidiary of the Bank and serves as the principal distributor and transfer agent of the ALFM & PAMI Mutual Funds – open-end investment companies registered with, and regulated by, the Securities and Exchange Commission (SEC).

(2) Business of Issuer

Principal Products & Services

The Bank offers a wide range of corporate and retail banking products. The Bank has two major categories for products and services. The first category covers its core financial intermediation business, which includes deposit taking, lending, and securities investments. Revenue from this category is collectively termed as net interest income and accounts for 75% of net revenues. The second category covers services ancillary to the Bank's financial intermediation business, and from which it derives transaction-based commissions, service charges and other fees. These include investment banking and corporate finance fees, asset management and trust fees, stock brokerage fees, credit card-related fees, rental of bank assets, income from insurance subsidiaries and service charges or commissions earned on international trade transactions, drafts, fund transfers, various deposit-related services, and revenues from transactions on the digital channels. Commissions, service charges, and other fees, when combined with trading gains and losses arising from the Bank's fixed income and foreign exchange operations, constitute non-interest income, which accounts for the remaining 25% of net revenues.

Foreign Offices Contribution

	2021	**2022**	**2023**
Share in Total Revenue (%)	0.68	0.55	0.44
Hongkong	0.49	0.41	0.33
USA	0.00	0.00	0.00
Europe	0.18	0.14	0.10
Share in Total Revenue	0.66	0.22	(0.03)
Hongkong	0.54	0.24	0.08
USA	0.00	0.00	0.00
Europe	0.12	(0.02)	(0.11)

Distribution Network

BPI has 839 branch licenses as of end-2023. However, with the decline in over-the-counter transactions and the shift to digital, the Bank has also begun branch network optimization by co-locating and consolidating branches for cost efficiency and higher productivity. As of December 31, the Bank has 709 physical branches nationwide. Additionally, there are 348 BPI Direct BanKo branches and Branch-Lite Units (BLUs) set up in strategic locations in the country. Overseas, BPI has two banking subsidiaries: BPI International Finance Limited in Hong Kong and Bank of the Philippine Islands (Europe) Plc in London.

BPI maintains a specialized network of overseas offices to service Filipinos working abroad. To date, BPI has two (2) Remittance Centers located in Hong Kong and two (2) representative offices located in UAE and Japan. BPI also maintains remittance tie-up arrangements with various foreign entities in several countries to widen its network in serving the needs of Filipinos overseas.

On the lending side, there are 24 business centers and desks, servicing both corporate and retail clients, across the country to process loan applications, loan releases, and international trade transactions. These centers also provide after-sales servicing of loan accounts.

The Bank’s branch network is supported by a network of 1,743 ATMs (including 556 ATMs provided by Euronet) and 343 CAMs as of 31 December 2023, which together provide cash-related banking services to customers 24/7, located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank’s interconnection with Bancnet, gives the Bank’s cardholders access to over 20,000 ATMs across the country. The Bank’s ATM network is likewise interconnected with Mastercard, China Union Pay, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank’s cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

The Bank aims to leverage its digital assets and capabilities across various businesses. Since 2021, the Bank has delivered six digital user platforms:

- VYBE, BPI’s e-wallet
- New BPI mobile app, which features an improved user experience
- BPI Trade app was recently fired up and is currently in soft launch
- Bizko for SMEs
- Bizlink for corporate clients
- BanKo app for self-employed micro-entrepeneurs

As of 31 March 2024, work was ongoing on the Bank’s seventh app designed for high net worth clients.

These seven platforms will enable all Filipinos in their respective financial journeys to enjoy the benefits that BPI channels provide. In addition, the Bank envisions these platforms to be a major vehicle for client acquisition, financial inclusion, and business growth.

Supported by its open banking infrastructure, these platforms allow customers access to over 6,500 products and services provided by over 170 partners.

BPI’s partnership with GCash is also progressing well, with its products in GSave, GInvest and GInsure gaining the Bank more clients and generating revenues through its collaboration with GCash.

All of these digital initiatives are underpinned by strong cybersecurity, agile core systems, and data-driven decisions.

Competition

With 45 universal and commercial banks operating in the Philippines as of December 31, 2023, the banking industry in the Philippines is characterized by high levels of regulation and highly competitive pricing and service offerings. BPI competes against domestic and foreign banks that offer similar products and services as BPI. Since the further liberalization of the Philippine banking industry in 2014, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations, but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks.

According to industry data on Philippine banks, BPI is second largest in terms of loans and third in terms of deposits among private universal banks, with market shares of 15% and 12%, respectively, as of December 31, 2023. BPI Wealth, the asset and wealth management arm of BPI, is the second largest in terms of assets under management with 20% market share. BPI believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Patents, Trademarks, Licenses, Franchises, etc.

BPI sells its products and services through the BPI trademark and/or trade name. All its major financial subsidiaries carry the BPI name prefix (e.g., BPI Capital, BPI Securities, and BanKo), and so do its major product and service lines.

Following are some of BPI's trademarks for its products and services:

a) BPI Express Assist ("BEA"), for its branch queuing facility
b) BPI Debit and BPI Debit Cards, for its debit cards
c) BPI Credit and BPI Credit Cards, for its credit cards
d) Express Cash, My ePreapid, and BPI ePay, for its prepaid cards
e) BPI Phone Banking, for its contact center facility
f) BPI Online, for its web browser-based transaction platform used by retail customers
g) BPI Mobile, for its mobile banking app used by retail customers
h) Bizlink, for its internet banking platform for business and corporate clients, including the BizLink mobile app
i) Express Collect, for its bills collection agreements

Other product brands of BPI and BanKo are **Save-up**, **Saver-Plus**, **Pamana Savings**, **Jumpstart Savings, BPI Plan Ahead,** SME Term Loans, BPI Personal Loan, PondoKo Savings and NegosyoKo Loan.

All BPI's trademark registrations are valid for 10 years with years of expiration varying from year 2027 to 2031. Trademarks intended to be used or maintained by BPI are so maintained and renewed in accordance with applicable Intellectual Property laws and regulations. BPI closely monitors the expiry and renewal dates of its trademarks to protect BPI's brand equity.

In terms of business licenses, BPI has an expanded commercial banking license while BanKo has a savings bank license. BPI Capital has an Investment House license engaged in dealing Government Securities and as Mutual Fund Distributor. BPI Wealth has a trust license, securities custodian/registry license of the Bangko Sentral ng Pilipinas and is a PERA-accredited administrator of the Bureau of Internal Revenue. BPI Wealth is also accredited by the SEC as an investment company adviser/fund manager of investment companies/mutual funds. BIMI has a mutual fund distributor license and is a registered transfer agent with the SEC. BPI MS was granted by the Insurance Commission a Certificate of Authority to transact and sell non-life insurance products.

For foreign business licenses, BPI (Europe) Plc is a UK-licensed bank authorized by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA"). Meanwhile, BPI IFL is a deposit-taking company authorized and regulated by the Hong Kong Monetary Authority. It is also licensed by the Securities and Futures Commission of Hong Kong to undertake Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities.

Related Parties

In the ordinary course of business, BPI has entered into various transactions with its Directors, Officers, Stockholders and their Related Interest ("DOSRI"), including loan transactions. BPI and all its subsidiaries have always been in compliance with the General Banking Act, BSP Circulars and regulations on DOSRI loans and transactions. As of December 31, 2023, DOSRI loans amounted to 1.0% of loans and advances as per Note 25, 31, and 32 of the 2023 audited consolidated financial statement.

Government Regulations (2021-2023)

Under the General Banking Act, the Monetary Board of the BSP is responsible for regulating and supervising financial intermediaries like BPI. The implementation and enforcement of the BSP regulations is primarily the responsibility of the supervision and examination sector of the BSP.

BPI, as a publicly listed company ("PLC"), is also governed by SEC memorandum circulars and BIR revenue regulations. Below is a non-exhaustive list of the regulations BPI has adopted in the last three years:

Issuance No.	Issue Date	Effective Date	Title/Summary
BSP Circulars			
No. 1108	26 Jan 2021	9 Feb 2021[1]	Guidelines for Virtual Asset Service Providers (VASP)
No. 1111	3 Mar 2021	18 Mar 2021[1]	Amendments to the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit, "The Agri-Agra Reform Credit Act of 2009"
No. 1112	8 Apr 2021	23 Apr 2021[1]	Amendments to Operational Risk Management and Internal Control Measures
No. 1113	16 Apr 2021	23 Apr 2021[1]	Amendments to Operational Risk Management and Internal Control Measures
No. 1114	16 Apr 2021	23 Apr 2021[1]	Amendments to the Guidelines on Recovery Plan of a Domestic Systemically Important Bank (D-SIB)
No. 1117	27 May 2021	4 Jun 2021	Implementation of R.A. No. 1153, "Financial Institutions Strategic Transfer (FIST) Act"
No. 1128	26 Oct 2021	10 Nov 2021[1]	Environmental and Social Risk Management Framework
No. 1129	12 Nov 2021	3 Dec 2021[1]	Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

No. 1135	21 Jan 2022	22 Jan 2022	Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (NRPS) Framework
No. 1136	11 Feb 2022	18 Feb 2022[1]	Amendments to the Regulations on Confirmation of the Election/Appointment of Directors/Trustees/Officers
No. 1137	18 Feb 2022	11 Mar 2022	Amendments to Regulations on Outsourcing and IT Risk Management
No. 1139	23 Mar 2022	25 Mar 2022[1]	Guidelines for Reporting Islamic Banking and Finance Transactions/Arrangements
No. 1140	24 Mar 2022	31 Mar 2022[1]	Amendments to Regulations on Information Technology Risk Management
No. 1142	29 Mar 2022	4 Apr 2022[1]	Amendments to the Guidelines on the Computation of Minimum Required Capital and Risk-Based Capital Adequacy Ratio
No. 1143 No. 1144	12 Apr 2022	6 May 2022	Updated Manual of Regulations for Banks and Non-Bank Financial Institutions as of 31 December 2019
No. 1147	10 Jun 2022	17 Jun 2022	Amendment to the Guidelines Implementing Republic Act (R.A.) No. 11523, otherwise known as the "Financial Institutions Strategic Transfer (FIST) Act"
No. 1148	17 Jun 022	29 Jun 2022	Amendment to the Framework for Dealing with Domestic Systemically Important Banks
No. 1149	23 Aug 2022	2 Sept 2022[1]	Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks
No. 1150	23 Aug 2022	17 Sept 2022	Prudential Framework for Large Exposures Monitoring Threshold
No. 1152	5 Sept 2022	29 Sept 2022	Amendments to the Regulations on Unit Investment Trust Funds (UITFs)
No. 1155	21 Sept 2022	22 Oct 2022	Amendments to the Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with

			Quasi-Banking Functions (NBQBS)
No. 1157	14 Oct 2022	20 Oct 2022	Amendment to the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions pertaining to Bangko Sentral Issued Securities Eligible Counterparties
No. 1158	18 Oct 2022	8 Nov 2022	Guidelines on Recovery Plan of Banks
No. 1160	28 Nov 2022	20 Dec 2022	Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act"
No. 1164	5 Jan 2023	13 Jan 2023[1]	Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital
No. 1165	19 Jan 2023	26 Jan 2023[1]	Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables
No. 1170	30 Mar 2023	13 Apr 2023[1]	Amendments to Section 921/921Q of the Manual of Regulations for Banks (MORB)/ Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) on Customer Due Diligence, including Guidelines on Electronic Know-Your-Customer
No. 1176	29 June 2023	30 Jun 2023[1]	Amendments to the Rules and Regulations on the Reserves Against Deposits and Deposit Substitute Liabilities of Banks
BSP Memorandum			
M-2021-056	October 21, 2021	Until December 31, 2022	Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses
M-2021-069	December 22, 2021	December 23, 2021	Compliance with BSP Financial Consumer Protection Framework
M-2021-071	28 Dec 2021	29 Dec 2021	Moratorium on the Increase in Transfer Fee for InstaPay and PESONet Transactions

M-2022-001	11 Jan 2022		Supplemental Report to the Financial Reporting Package (FRP) on Modified and Restructured Loans
M-2022-002	11 Jan 2022		Supplemental Capital Adequacy Ratio (CAR) Report on the Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9
M-2022-004 M-2022-005	17 Jan 2022		Extension of BSP Prudential Relief Measures
M-2022-006	21 Jan 2022		Operational Relief on the Submission of Prudential Reports to the BSP-Financial Supervision Sector
M-2022-008	7 Feb 2022		Guidelines on the Submission of the Supplemental Report to the Financial Reporting Package (FRP) on Modified and Restructured Loans
M-2022-009	7 Feb 2022		Guidelines on the Electronic Submission of DDA Reconciliation Statement Report through the BSP Financial Institution Portal (FI Portal)
M-2022-010	11 Feb 2022		Guidelines on the Electronic Submission of Annual Report of ALL Interlocking Positions of its Directors and Officers (ARIPDO)
M-2022-011 M-2022-012	2 Mar 2022		Collection of the Annual Supervisory Fees (ASF) for the Year 2022
M-2022-013	2 Mar 2022		Guidelines on the Designation of the PDDTS and PVP as Systemically Important Payment Systems (SIPS)
M-2022-014	9 Mar 2022		Amendment to Memorandum M-2021-034 on the Guidelines for Obtaining a Certificate of Eligibility (COE) under Republic Act (R.A.) No. 11523, otherwise known as the Financial Institutions Strategic Transfer (FIST) Act
M-2022-015	22 Mar 2022		Recommended Control Measures Against Cyber Fraud and Attacks on Retail

			Electronic Payments and Financial Services (EPFS)
M-2022-017	25 Mar 2022		Reminder to Verify the Authenticity of Electronically Issued Bangko Sentral ng Pilipinas (BSP) Documents for Foreign Exchange (FX) Transactions under the Manual of Regulations on Foreign Exchange Transactions (FX Manual), as amended
M-2022-019	30 Mar 2022		Re-extension of the Waiver of Fees on fund transfers through the PhilPaSSplus
M-2022-021	31 Mar 2022		Extension of Temporary Measures Implemented in the Bangko Sentral ng Pilipinas' Rediscounting Facility
M-2022-022	20 April 2022		Guidelines on the Submission of the Supplemental Capital Adequacy Ratio (CAR) Report on the Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9
M-2022-023	29 Apr 2022		Extension of the Submission Deadline of the 2021 Audited Financial Statements and the Accompanying Reports
M-2022-025	11 May 2022		Collection of the Annual Supervision Fees (ASF) for the Year 2022
M-2022-027	26 May 2022		Updated Schedule for the Comprehensive Credit and Equity Exposures Report (COCREE)
M-2022-028	6 Jun 2022		Prudential Relief on the Treatment of Loss Arising from the Sale/Transfer of Non-Performing Assets under Republic Act No. 11523, otherwise known as the Financial Institutions Strategic Transfer Act
M-2022-029	6 Jun 2022		Guidelines on Handling of Consumer Concerns on PESONet and InstaPay
M-2022-030	30 Jun 2022		Guidance Paper on the Conduct of Institutional Risk Assessment (IRA)

M-2022-031	13 July 2022		Guidelines on the Designation of PESONet and InstaPay as Prominently Important Payment Systems (PIPS)
M-2022-032	20 July 2022		Guidelines on the Submission of the Supplemental Report to the Financial Reporting Package (FRP) on Islamic Banking
M-2022-033	5 Aug 2022		Updated Comprehensive Credit and Equity Exposures (COCREE) Report Package
M-2022-034	8 Aug 2022		Guidelines on the Computation and Payment of Rebates, Refunds and Incentives (RRI) for Unfit Banknote Deposits Under BSP Circular No. 1106
M-2022-036 M-2022-037	10 Aug 2022		Guidelines on the Electronic Submission of Report of Selected Branch Accounts through the BSP Financial Institution (FI) Portal
M-2022-038	5 Sept 2022		2022 Guidance Paper on Targeted Financial Sanctions (TFS) Implementation
M-2022-041	23 Sept 2022		Extension of BSP Prudential Relief Measure on the Relaxation in the Credit Risk Weight for Loans to MSMEs under the BSP's Risk-Based Capital Adequacy Frameworks
M-2022-042	29 Sept 2022		Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System
M-2022-043	7 Oct 2022		Email Security Control Recommendations
M-2022-044	14 Oct 2022		Use and Acceptance of the Philippine Identification System (PhilSys) Digital ID and Printed e-Philippine Identification (ePhilID)
M-2022-049	22 Nov 2022		Peso Real Time Gross Settlement (RTGS) Rules
SEC			
MC No. 04-2021	30 Mar 2021	14 Apr 2021[1]	Amendment of the Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism for SEC Covered Institutions

			("2018 AML/CFT Guidelines") and 2020 Guidelines on the Submission and Monitoring of the Money Laundering and Terrorist Prevention Program (MTPP)
MC No. 001-2022	27 Jan 2022		Adoption of Philippine Standards on Auditing (PASs) and Philippine Financial Reporting Standards (PFRSs)
MC No. 002-2022	8 Feb 2022		Schedules for Filing of Annual Financial Statements and General Information Sheet
MC No. 003-2022	1 Mar 2022		Implementation of Bangko Sentral ng Pilipinas Circular No. 1133 Series of 2021 on the Ceiling/s on Interest Rates and Other Fees Charged by Lending Companies, Financing Companies, and their Online Lending Platforms
MC No. 004-2022	2 Mar 2022		Disqualifications of Directors, Trustees and Officers of Corporations; and the Guidelines on the Procedure for their Removal
MC No. 007-2022	26 Aug 2022		Rules on Qualified and/or Eligible Personal Equity and Retirement Account (PERA) Investment Products
MC No. 1-2023			Extension for Deadlines for the 2023 filing of AFS
MC No. 13-2023	12 Sept 2023		Guidelines on Annex C of Rule 12 of the Securities Regulation Code interpreting the comparative periods required in the management's discussion and analysis

[1] The Circular took effect 15 calendar days following its publication in the Official Gazette or in a newspaper of general circulation.

[2] Subsequently, BPI also complied with all pertinent BIR revenue regulations implementing it.

Research and Development Activities

BPI spent the following for the last three years on Personnel Training and on Systems/Application Software:

	In Million Pesos	% of Revenues
2021	1,870.7	1.9
2022	1,317.0	1.1
2023	2,760.6	2.0

Employees

Below is a breakdown of the manpower complement of BPI in 2022 and 2023:

	December 31, 2022 Actual			December 31, 2023 Actual		
	Officer	Staff	TOTAL	Officer	Staff	TOTAL
UNIBANK	**6,823**	**10,849**	**17,672**	**7,544**	**11,453**	**18,997**
Consumer	3,825	8,392	12,217	4,192	8,876	13,068
Corporate	955	526	1,481	950	493	1,443
Investment	452	141	593	604	175	779
Support	1,591	1,790	3,381	1,798	1,909	3,707
Insurance	**114**	**415**	**529**	**115**	**410**	**525**
Total	**6,937**	**11,264**	**18,201**	**7,659**	**11,863**	**19,522**

The majority, or 73% of the staff in the Unibank are members of various unions and are subject to Collective Bargaining Agreements (CBAs). The current CBA of the parent company will end on March 31, 2024.

Enterprise Risk Management

The Bank has an established enterprise risk management and capital management framework that enables the Bank to systematically identify, measure, control, and monitor its significant financial and non-financial risk exposures, ensuring adequate liquidity levels and sufficient capital in support of business growth and operational resilience. The framework covers not only traditional risks that the Bank is exposed to such as credit, market, and operational and information technology (IT) risks, but also includes emerging risks such as environmental and social risks.

The Bank's framework is anchored on the regulatory guidance set by the BSP which emphasizes effective risk management governance, robust business continuity and operational resiliency standards, financial viability, and soundness through the conduct of internal capital adequacy assessments, and the adoption of various risk management processes and methods. The Bank's ERM is anchored on the pillars of:

- Sound risk management governance
- Value-enhancing risk methods and processes
- Risk-intelligent data and technologies

The Bank's Board of Directors fulfils its risk management function through the Risk Management Committee (RMCom), which defines risk appetite statements at functional and enterprise levels. The RMCom also oversees and reviews risk management structures, metrics, limits, and issues across the BPI Group. The Chief Risk Officer (CRO) of the BPI Group reports directly to the RMCom and is responsible in leading the formulation of risk management policies and methodologies, aligned with the Bank's overall business strategies, ensuring a prudent and rational approach to risk-taking that is commensurate with returns on capital, and within the Bank's risk appetite. Led by the CRO, the Risk Management Office (RMO) actively engages with the RMCom, Management, and business units to promote a robust risk culture. This includes risk awareness campaigns and learning programs, and promoting risk management industry best practices through internal communications.

The Bank's risk exposures are identified, measured, controlled, and monitored according to three (3) major risk classifications of credit, market and liquidity, and operational and IT risks.

Credit Risk, the single largest financial risk for most local banks, arises from the Bank's core lending and investing businesses, and involves thorough credit evaluation, appropriate approvals, administration, management, and continuous monitoring of risk exposures such as borrower (or counterparty) risk, facility, collateral, industry, and concentration risks relating to each loan account and on a portfolio basis. In BPI, the entire credit risk management system is governed by stringent credit underwriting policies and risk rating parameters, and lending procedures and standards which are regularly reviewed and updated given regulatory requirements and market developments. The Bank's loan portfolio is continuously monitored and risk reviewed as to overall asset quality, credit risk ratings, loan loss reserves cover, credit concentration, and utilization of limits, among others. The Bank continuous to experience modest growth in loan volumes, but is able to manage the overall credit risk profile and maintain asset quality (as evidenced by acceptable levels of non-performing loans (NPLs), generally at par or lower-than-industry NPLs, and adequate reserves cover), and does so in general compliance with internal and prudential requirements relating to credit risk management including compliance to Related Party Transactions (RPT) guidelines, single borrower's limits, credit risk concentration, and internal and regulatory stress tests, among others.

Market and Liquidity Risks are risks to earnings and capital from adverse movements in risk factors that affect the market value of financial instruments, products and transactions in the Bank's portfolios, and the risk arising from the potential inability to meet obligations to clients, counterparties or markets when they fall due. Market risk arises from the Bank's trading and distribution activities of securities, foreign exchange, and derivative instruments (as allowed by regulations), and interest rate risk in the banking book while liquidity risk mainly arises from cash flow gaps and mismatches in our assets, liabilities, and off-balance sheet accounts. Market and liquidity risks are managed using a set of established policies and metrics guided by the Bank's market, interest rate risk in the banking book (IRRBB), and liquidity risk management frameworks set by the Board-level RMCom. The Bank employs various risk metrics such as Value-at-Risk (VaR) and stop loss limits for price risk, and Balance sheet Value-at-Risk (BS VaR), and Earnings At-Risk (EaR) for interest rate risk in the banking book, supplemented by quarterly stress tests. Our liquidity profile is measured and monitored through our internal metrics – the Minimum Cumulative Liquidity Gap (MCLG) or the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months; the Intraday Liquidity Buffer Ratio (ILBR) was implemented to promote the Bank's resilience against intraday liquidity risk by ensuring that adequate liquidity buffers are in place to meet unexpected outflows throughout the day without affecting funds and reserves management; and the regulatory metrics – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Bank ensures adequate levels of liquidity at all times and that contingency plans are in place in the event of liquidity stress. The Bank also regularly conducts liquidity stress tests which consistently show acceptable levels of liquidity to meet the Bank's financial obligations under both bank-specific and systemic or market-wide crisis scenarios. Periodic testing of the Bank's established liquidity contingency funding plan (LCFP) is also performed to build awareness and preparedness among key business groups, test the effectiveness of various funding options, and refine the Bank's assumptions to ensure the quality and reasonableness of the contingency plan. As of end-December 2023, the Bank's market, IRRBB, and liquidity risk exposures are generally well within the RMCom-approved risk limits at the BPI Parent and Group levels.

Operational Risks arise from inadequate or failed internal processes, people and systems, or from external threats and events such as natural disasters that damage physical assets, or electronic/telecommunication failures that disrupt the Bank's operations, and which may give rise to adverse legal, tax, regulatory, or reputational consequences. Information Technology risk, which is subsumed under operational risks, arise from the use of or reliance on IT (i.e., computer hardware, software, devices, systems, applications, and networks), which includes, information security, service availability, reliability and availability of IT operations, completion of IT development projects, and regulatory compliance, among others.

As of end-December 2023, the Bank maintained actual operational losses below 1% of its annual gross income. Such minimal losses are well within the Senior Management and Board/RMCom's conservative and prudent risk appetite and are generally attributed to inherent risks associated with the products and services being provided by the Bank. The rapidly evolving risk landscape that can trigger risks at any point is duly considered by the Bank in regular risk assessments and in updating the Bank's risk strategies. Operational risk stress tests, through scenario analysis, are regularly performed to assess the impact of unexpected and extreme operational risk events.

There is regular monitoring and reporting of the Bank's Operational and IT risks levels, as well as current cybercrime landscapes, emerging risks, and mitigating measures implemented.

The Bank adopts a hybrid remote working arrangement and equips its employees with the necessary access and tools for a diversified business continuity plan. With the Bank's digital transformation journey, business continuity processes, awareness, business recovery plans, and other documentations were digitized, thereby reducing manual handling and physical presence. This greatly safeguards business continuity when the availability of the workforce is put at risk in the face of disruptions and unforeseen events such as natural disasters and widespread emergencies or crises.

In view of the increasing cyber-related risks, enhancements of security infrastructure and technical controls to secure the physical and computing environments are being done. This includes a broad range of prevention, detection, and recovery mechanisms to mitigate and immediately respond to threats and incidents.

Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience working within the Bank. The Bank's risk managers regularly monitor key risk indicators and report exposures against carefully established credit, market, liquidity, and operational risk metrics and limits approved by the RMCom. Independent reviews are regularly conducted by the Bank's Internal Audit, external auditors, and regulatory examiners to ensure that controls and risk mitigation are in place and functioning effectively as intended.

Compliance

Business or compliance risk, which can be defined as "the risk of regulatory or legal sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities", is addressed and managed within the Bank through its compliance function and its component system and program.

As the Bank's second line of defense, the compliance function has also evolved in recent years to adapt to the shift towards more technology-heavy strategies, as it seeks to deliver the compliance risk management outcomes required in an era of digital transformation. While remaining a key advisory function, it has embraced a more forward-thinking, risk-based and stress-tested approach to continuously monitor, evaluate and improve its ability to ensure compliance in a banking landscape that is subject to disruption and rapid change.

The Bank's compliance system is critically important in identifying, evaluating, and addressing the regulatory and reputational risks while the enterprise-wide compliance program helps the Bank to look at and across business lines and activities of the organization as a whole and to consider how activities in one area of the Bank may affect the business or compliance risks of other business lines and the entire group/enterprise. The compliance program also helps the Board and management in understanding where such regulatory and reputational risks in the organization are concentrated, provide comparisons of the level and changing nature of risks, and identify those control processes that most need enhancement.

Oversight of the management of the Bank's business risk and implementation of its compliance function is the responsibility of our Board of Directors, through the Audit Committee and the Corporate Governance Committee with respect to corporate governance compliance. At the management level, the compliance function is carried out by the Compliance Office, headed by the Chief Compliance Officer, who is not a member of the Board of Directors. The Compliance Office oversees the implementation of the Bank's enterprise-wide compliance programs. These programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

The Compliance Office is currently organized to cover Regulatory Compliance with includes RPT Post-Review and FATCA, Corporate Governance and Subsidiaries Regulatory Oversight, Anti-Money Laundering Compliance, Compliance Systems, Projects and Analytics, and the Data Privacy Office. Considering the rapid developments in the regulatory sphere as well as the growing complexity of bank products, services and transactions, the Compliance Office is evolving in its coverage of compliance practice areas to anticipate and meet forward challenges. Enhancement of our compliance function’s scope and domain is redefined for new and emerging sources of compliance risk. The Compliance Office is also empowered by Group Compliance Officers, or GCOs, who are embedded in operational units throughout the Bank. The GCOs are charged with enforcing compliance office initiatives, as well as providing timely reports to the compliance office.

Overall enforcement is through self-regulation within the business units, and independent testing and reviews conducted by the Compliance Office and Internal Audit. The results of these reviews are elevated to the Board’s Audit Committee and Corporate Governance Committee, with respect to governance issues. The Compliance Office promotes adherence and awareness to laws, rules and regulations by electronically posting information and documents in a compliance database that is accessible to all employees. Regular meetings are conducted by the Compliance Office with the GCOs to discuss the impact of new regulations, decide on the required compliance measures and amend compliance matrices as necessary. Through continued liaison and dialogue with regulators, the Compliance Office ensures the prompt dissemination of new regulations and other developments affecting bank operations.

Financial Consumer Protection

The Bank has a Financial Consumer Protection Assistance Mechanism (FCPAM), which was established by the Customer Experience Management Office (CXMO) to institutionalize guidelines that will help ensure that feedback from existing and potential clients are handled appropriately, as required by the Bank’s consumer protection policies.

The Board and Senior Management is responsible for the development of the Bank’s consumer protection strategy and establishment of an effective oversight over the Bank’s consumer protection programs. The Board of Directors is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank’s various business operations and include the following:

- Approval of the Bank’s consumer protection policies as well as the mechanism to ensure compliance with the said policies, including policies and mechanisms related to the consumer assistance management process;
- Oversight on the implementation of and compliance with the Bank’s consumer protection activities;
- Promotion of a culture of ethical behavior and adherence to the highest standards of fair and responsible dealing with consumers and relationships with third parties that may give rise to consumer protection risks;
- Ensuring that adequate information and actions taken are reported on a regular basis in terms of the measurement of consumer protection related risks, as well as other material consumer related developments that will impact the Bank;
- Delegation of other duties and responsibilities to a Board-level Committee or to Senior Management but not the function of overseeing compliance with the prescribed consumer protection framework/policies.

The Board-level Executive Committee exercises the powers and fulfills the duties and responsibilities of the Board in the management of the Bank’s consumer protection activities, including other duties and responsibilities delegated by the Board. Senior Management ensures that the approved policies and procedures on consumer protection risk management and consumer assistance mechanism policies and procedures are clearly documented, properly understood and appropriately implemented across all levels and business units through:

- Establishment of an effective monitoring and management information system to regularly measure, aggregate and analyze consumer related issues to determine level of consumer protection risk;
- Integration into the risk governance framework of appropriate and clear reporting and escalation mechanisms;
- Putting in place of adequate systems and controls to promptly identify issues that affect the consumer across all phases of the relationship.

In July 2020, CXMO became Client Experience Center (CXC) and integrated all the major customer touchpoints to strengthen our focus on customer experience. CXC is now composed of four (4) units: Customer Care, Governance, Service Quality and FCP Customer and Insights. There are also related policies in place such as the BPI Financial Consumer Protection Program and Complaints Management and Reporting to properly equip our bank personnel in the handling of customer feedback. Preventive measures and treatment plans from business units with top customer concerns are presented to senior management regularly for appropriate service improvements and customer satisfaction.

A new and more robust system to gather complaints data was acquired for the use of the enterprise in the last quarter of 2021, to replace the Customer Feedback Database created in 2017. This is a vital tool in identifying areas of concern and process improvements which is part of the FCP program.

As part of the Bank's FCPAM, different touch points or channels are in place where clients can file their feedback. These include Contact Center via phone, e-mail, and social media accounts, CX Customer Care, branches, and the business units. Employees are guided by the internal bank policies on FCP where client feedback, specifically complaints, are classified according to complexity which will determine the turnaround time within which the complaint should be addressed and resolved.

We maintain a vigilant approach in addressing feedback and concerns regarding our products and services. Throughout 2023, we diligently addressed and resolved issues, achieving a 98.60% compliance rate for complaint resolution, consistent with our previous performance of 98.63%. By year-end 2023, all reported complaints had been effectively resolved, reflecting our dedication to swift and satisfactory resolutions. Our adherence to regulatory standards remains steadfast, with no confirmed incidents of non-compliance in 2023, underscoring our unwavering commitment to product and service excellence. We continuously uphold our enterprise-wide complaint reporting to BPI Management, ensuring transparency and accountability across our operations. Notably, our efforts have contributed to a decrease in complaint intensity by 3% from 2022 to 2023. This is calculated as every one complaint per 1,000 transactions.

The designated Customer Assistance Officers (CAOs) undergo training to ensure that they are equipped to address customer issues and ensure compliance with the Bank's Consumer Protection Program. Employees are made aware of the FCP Program through a continuous information and education campaign. Since 2018, the CXC has conducted rollouts and training sessions on FCP and held alignment meetings with the CAOs in various business areas.

Employees also take the mandatory FCP Training course annually available via e-learning. With the revision of the FCP module in 2023, there has been a notable improvement in performance among Unibankers, evidenced by a completion rate of 97.44%, which surpasses the 98.6% achieved in 2022. To further improve service and align with the customer obsessed culture of the Bank, Human Resource – Learning & Development Department provides soft-skills trainings such as business writing, oral communications, problem solving, professional image development, and collections overview, among others. FCP is also embedded in the employee code of conduct.

For the awareness of our customers, we regularly update our product features and services in our website and social media pages. This also includes frequent reminders on phishing, vishing and other forms of fraudulent schemes in order to warn and protect our customers. Marketing materials and offerings involving our customers are also reviewed for proper and necessary disclosure and transparency. Our social media team closely monitors customer engagements in our social media pages and the data collected is regularly reported to management.

Since the establishment of the FCP Framework in 2017, we have maintained full compliance with product and service regulations, bolstering trust and confidence in our brand with a commitment to customer satisfaction.

Data Privacy

Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose and Proportionality in their processing of personal data so that the data is (1) only used in relevant and specifically stated ways, (2) not stored for longer than necessary, (3) kept safe and secure, (4) used only within the confines of the law, and (5) stored following people's data protection rights. Cybersecurity and data privacy and protection have become corporate governance and risk management concerns.

BPI has established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer ("DPO"), a senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws. Management has also appointed Compliance Officers for Privacy ("COP") for major business units of the Bank to augment the Data Privacy Office and ensure the sustained implementation of the Data Privacy Management Program across business lines.

Item 2. Properties

In view of the planned redevelopment of the BPI Head Office building located at 6768 Ayala Avenue, Makati City, BPI's executive office and select business and support units have relocated to Ayala Triangle Gardens Tower 2, located at Paseo de Roxas corner Makati Avenue in May 2023. Prior to this, the executive office and select business and support units were located at Ayala North Exchange Tower 1, Ayala Avenue corner Salcedo St., Legaspi Village, Makati City, whose lease expired in July 2023. The remaining business and support units are located in various other sites in Makati, San Juan, Quezon City, and Muntinlupa.

Of the Bank' 839 branch licenses (excluding BanKo), 436 operate in Metro Manila/Greater Metro Manila Area and 403 in the provincial area. BPI owns 34% of the branch locations and leases the 66%. On January 1, 2019, the Bank adopted PFRS 16: Leases which requires recognition of both right-of-use assets and lease liability arising from long-term leases. As of December 31, 2023, right-of-use assets and lease liabilities amounted to ₱8,404 million and ₱9,756 million, respectively.

These offices and branches are maintained in good condition for the benefit of both the employees and the transacting public. The Bank enforces standards for branch facade, layout, number and types of equipment and upkeep of the premises. As it adjusts to the needs of its customers, the Bank also continuously reconfigures the mix of its traditional branches, kiosk branches, and branch-lite units, while complemented by its digital channels.

BPI (as lessee) has various lease agreements which mainly pertain to branch premises and equipment that are renewable under certain terms and conditions. Rental contracts are typically made for fixed periods of 4 to 6 years.

Further details pertaining to leases under PFRS 16 are reflected in Note 20 of the 2023 Audited Financial Statements.

Item 3. Legal Proceedings

The Bank does not have any material pending legal proceedings which may impair the registrant or any of its subsidiaries or affiliates the capacity to perform its obligations.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The common shares of BPI have been listed on the Philippine Stock Exchange (PSE) since October 12, 1971, under the ticker symbol BPI.

The table below shows the high and low prices of BPI shares transacted at the PSE for each quarter within the last two (2) fiscal years.

The high and low prices of BPI at the Philippine Stock Exchange on April 5, 2024, were P117.50 and P114.00, respectively, with a closing price of P114.20.

Period	In Pesos	
	High	Low
Year Ended December 31, 2022		
1st Quarter	102.00	91.00
2nd Quarter	100.00	84.80
3rd Quarter	98.25	86.00
4th Quarter	105.90	90.50
Year Ended December 31, 2023		
1st Quarter	113.30	98.00
2nd Quarter	110.00	99.10
3rd Quarter	118.30	104.20
4th Quarter	111.30	98.90

Holders of Common Equity

There were approximately 11,760 common shareholders of BPI as of December 31, 2023.

Please refer to Exhibit C for the top twenty (20) shareholders with their corresponding shares and percentage ownership of BPI.

Please see Exhibit D for a Statistical Report by Share lots as of December 31, 2023.

Dividends

The Bank's practice is to declare cash dividends to its common stockholders regularly as determined by the Board of Directors. On May 18, 2022, the Bank adopted a dividend policy based on a dividend payout ratio ("DPO") of 35% to 50% of the previous year's earnings. Before this, the Bank consistently paid a fixed P1.80 per share in annual dividends. The Bank evaluates its dividend payments from time to time in accordance with business and regulatory requirements and cannot make explicit warranties about the quantum of future dividend payments.

Cash dividends declared and paid during the years ending December 31, 2021, 2022, and 2023 are as follows:

Date Declared	Date of Payment	Amount of Dividends	
		Per Share	Total (in Php Mn)
May 19, 2021	Jun 23, 2021	0.90	4,062
Nov 17, 2021	Dec 24, 2021	0.90	4,062
May 18, 2022	Jun 22, 2022	1.06	4,784
Nov 16, 2022	Dec 23, 2022	1.06	4,784
May 17, 2023	Jun 22, 2023	1.68	7,626
Nov 15, 2023	Dec 22, 2023	1.68	8,308

There are no known restrictions or impediments to the Bank's ability to pay dividends on common equity, whether current or future.

Relative to the BPI and BFB merger last January 2022, BPI issued treasury shares as consideration of the merger. On March 15, 2023, the treasury shares were declared as property dividends.

Dividend declaration is the responsibility of BPI and the BPI Board of Directors which has the authority to declare dividends as it may deem appropriate. Banks that meet the prequalification criteria including capital adequacy requirements and applicable laws and regulations of the BSP can declare and pay dividends without prior BSP verification.

Details of the dividend declaration are reflected in Note 18 of the 2023 Audited Financial Statements.

Recent Sales of Unregistered or Exempt Securities

Details on shares issued to/subscribed by the Bank's executives because of the Executive Stock Option Plan ("ESOP") and the Executive Stock Purchase Plan ("ESPP") are reflected in Note 18 of the 2023 Audited Financial Statements.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations

The highlights of the balance sheet and income statement of BPI for each year and the compounded growth rate over the three-year period (2020-2023) are shown below:

In Million Pesos	2020	2021	2022	2023	CAGR
Assets	2,233,443	2,421,915	2,603,961	2,888,372	8.9%
Loans (Net)	1,407,413	1,476,527	1,702,990	1,882,007	10.2%
Deposits	1,716,177	1,955,147	2,096,001	2,295,106	10.2%
Capital	279,835	293,060	317,722	357,204	8.5%

The compounded annual growth rate (CAGR) of the Bank's asset levels from 2020 to 2023 was 8.9%. Both loans and deposits grew at the same rate, over the same period by 10.2%. Capital increased by 8.5% due to profits generated annually, net of cash dividends paid. The Bank continued to accrete capital from operations at 8.5% three-year CAGR.

2021

Total resources reached P2.42 trillion, up P188.47 billion, or 8.4%, from last year's P2.23 trillion. This was driven by the expansion in **total deposits** of P238.97 billion, or 13.9%, as CASA deposits increased P140.28 billion, 10.3%, to P1.51 trillion and Time Deposits increased P98.69 billion, or 28.2%, to P448.94 billion. The increase was partially offset by the settlement of maturing bonds booked under **other borrowed funds**, down P56.91 billion, or 37.5%. **Deferred credits and other liabilities** at P43.40 billion, down 5.4%, primarily from the decrease in other liabilities. **Derivative financial liabilities** also declined P2.02 billion, or 35.8%, due to lower market valuation of certain derivative products. **Liabilities attributable to insurance operations** at P13.24 billion decreased P1.11 billion, or 7.7%, on account of lower reserves and other balances. **Due to Bangko Sentral ng Pilipinas and other banks** decreased by P537.77 million, or 36.1%, owing to lower tax collected for the Bureau of Internal Revenues (BIR) and other banks. **Accrued taxes, interest and other expenses** lower by P488.81 million, or 5.5%, on lower accrued income tax and other expenses payable.

Capital funds amounted to P293.06 billion, increased P13.22 billion, or 4.7%, higher than last year's P279.83 billion. **Surplus** contributed to the capital growth by P15.59 billion, or 9.4%, on account of the recognized appropriation of retained earnings. **Reserves** likewise increased by P148.59 million, or 35.8%, due to the 10% appropriated reserves from the trust business income in compliance with the existing BSP regulations. These are partially tempered by the increase in **accumulated other comprehensive loss** by P2.77 billion, or 47.0%, due to the recognized negative movement on defined benefit obligation in the beginning of the year.

On the asset side, **financial assets at amortized cost** increased P94.02 billion, up 38.4%, on account of additional placements in medium to long-term HTC securities. **Loans and advances, net** have bounced back to its pre-pandemic level at P1.48 trillion, grew P69.11 billion, or 4.9%, due to higher growth mostly across business segments compared to 2020. With higher placements in BSP deposits, **due from Bangko Sentral ng Pilipinas (BSP)** increased P44.84 billion, or 20.0%. **Other resources, net** was also higher by P3.05 billion, or 18.1%, on account of higher miscellaneous assets. **Assets held for sale, net** up P311.68 million, or 10.5%, due to lower allowance for losses recognized in 2021.

On the other hand, **financial assets at fair value through profit and loss** decreased P15.88 billion, or 42.7%, due to decrease in holdings of securities intended for trading. **Due from Other Banks** at P34.57 billion, down 13.9%, due to the net decrease in account balances with various banks. **Cash and other cash items** were lower by P2.03 billion, or 5.5%, on account of lower cash placements as compared to year-end 2020. **Deferred income tax assets, net** at P15.82 billion, down 9.7%, mainly due to the net impact of the new tax rate under the CREATE law. **Bank premises, furniture, fixtures and equipment, net** decreased P1.31 billion, or 6.9%, on account of lower booking of right-of-use assets under PFRS 16. **Assets attributable to insurance operations** at P17.56 billion, down 6.2%, due to lower assets booked from the Bank's non-life insurance affiliate.

2022

Total resources stood at P2.60 trillion, up P182.05 billion, or 7.5%, from last year's P2.42 trillion. **Total deposits** at P2.10 trillion, went up by P140.85 billion or 7.2%, as Time Deposits increased P88.65 billion, 19.8%, to P537.59 billion and CASA deposits increased P52.20 billion, 3.5%, to P1.56 trillion. **Deferred credits and other liabilities** at P51.21 billion, was up P7.81 billion, 18.0%, from increases in Foreign Acceptances Outstanding. **Accrued taxes, Interest and Other Expenses** at P 10.59 billion, was up P2.17 billion, 25.8%, on higher accrued interest on time certificate of deposits and performance bonus. **Due to Bangko Sentral ng Pilipinas and other banks** at P2.89 billion, increased by P1.93 billion, or 202.8%, on higher marginal cash deposit. **Liabilities attributable to insurance operations** at P14.92 billion, up P1.68 billion, or 12.7%, on account of higher reserves and other balances of the Bank's non-life insurance affiliate. **Derivative financial liabilities** were also up P665.46 million, or 18.3%, on higher mark-to-market due to market movement.

Capital funds amounted to P317.72 billion, increased P24.66 billion, or 8.4%, higher than last year's P293.06 billion. **Surplus** contributed to the capital growth by P29.96 billion, or 16.5%, on account of the higher net income partly offset by higher dividends and higher appropriation of reserves. Movements in **Share Premium, Share Capital and Treasury Shares** were due to the issuance of common shares to BFB shareholders on account of the merger. **Reserves** also increased by P79.73 million, or 14.1%, on appropriated reserves from the trading business in compliance with Capital Markets Integrity Corporation (CMIC) ruling. These increases were partially tempered by the increase in **accumulated other comprehensive loss** by P5.59 billion, or 64.4%, on higher losses on FVOCI securities and loss on fluctuation reserves.

On the asset side, **loans and advances, net,** at P1.70 trillion, grew by P226.46 billion, or 15.3%, on increases in all portfolios. **Financial assets at amortized cost** increased P81.86 billion, up 24.2%, on account of additional placements in long-term HTC securities. **Due from Other Banks** was up P10.62 billion, or 30.7% on balances maintained with foreign banks. **Cash and other cash items** similarly increased by P4.47 billion, or 12.7%, on higher cash on hand. **Bank premises, furniture, fixtures and equipment, net** increased P1.83 billion, or 10.4%, on recognition of right-of-use assets for new and renewal of leases under PFRS 16. **Assets attributable to insurance operations** at P19.06 billion, up 8.5%, due to higher assets booked from the Bank's non-life insurance affiliate. **Deferred income tax assets, net** at P16.75 billion, up 5.9%, on account of the impairment losses set up for the period. **Assets held for sale, net** up P477.93 million, or 14.6%, on higher acquired real and other properties.

On the other hand, **due from Bangko Sentral ng Pilipinas (BSP)** declined P85.96 billion, or 32.0%, on lower placements in BSP deposits. **Financial Assets at Fair Value through OCI**, at P95.27 billion, was also lower by P39.47 billion, or 29.3%, to reduce exposures to manage portfolio risks. **Interbank loans receivable and securities purchased under agreements to resell** also declined by P18.47 billion, or 59.9%, on lower interbank reverse repurchase agreement. **Other resources, net,** was also lower by P3.06 billion, or 15.4%, on account of lower miscellaneous assets.

2023

Total resources stood at P2.89 trillion, up P284.41 billion, or 10.9%, from last year's P2.60 trillion. **Total deposits** at P2.30 trillion, went up by P199.10 billion or 9.5%, mainly from increase in Time Deposits of P219.89 billion or 40.9%, to P757.48 billion. CASA deposits declined P20.78 billion, or 1.3%, to P1.54 trillion. **Other borrowed funds** at P137.10 billion, was up P39.60 billion or 40.6%, on new bond issuances. **Accrued taxes, interest and other expenses** at P14.97 billion, was up P4.39 billion, or 41.4%, on higher accrued interest on time deposits, income tax and performance bonus. **Manager's checks and demand drafts outstanding** at P8.46 billion, was up P1.71 billion or 25.3%, on higher non-negotiated manager's checks issued. Meanwhile, **derivative financial liabilities** at P2.82 billion, declined P1.48 billion, or 34.4%, due to lower market valuation of certain derivative products. **Due to Bangko Sentral ng Pilipinas and other banks** at P1.88 billion, was also lower by P1.01 billion or 34.8% on lower marginal cash deposit.

Capital funds of P357.20 billion increased P39.48 billion, or 12.4% higher than last year's P317.72 billion. **Treasury shares** were up P33.04 billion or 100% on distribution of common shares as property dividends. **Share premium** at P113.41 billion was up P9.29 billion due to the excess over the market price of the treasury shares cost distributed as property dividend. **Accumulated other comprehensive loss** of P11.13 billion was lower by P3.13 billion, or 21.9%, on lower losses on FVOCI securities.

On the asset side, **loans and advances, net,** at P1.88 trillion, grew by P179.02 billion, or 10.5%, on increases in all portfolios. **Financial assets at fair value through other comprehensive income** at P218.65 billion, increased by P123.39 billion or 129.5%, due to purchase of government and private securities. **Due from Bangko Sentral ng Pilipinas** at P199.62 billion, was also up P16.75 billion or 9.2% on higher placements in BSP deposits. **Interbank loans receivable and securities purchased under agreements to resell** at P20.64 billion, grew by P8.26 billion or 66.7%, on increase in reverse repurchase agreement. **Other resources, net,** at P19.92 billion was also up P3.09 billion or 18.3% on higher miscellaneous assets. **Financial assets at fair value through profit or loss** increased by P1.52 billion or 6.9% to P23.65 billion due to increase in holdings of securities intended for trading. **Deferred income tax assets, net** was also up by P1.43 billion or 8.6% to P18.18 billion on account of the impairment losses set up for the period. **Investment in subsidiaries and associates, net** at P8.29 billion, grew by P1.06 billion or 14.7% on account of the Bank's share in the net income and market valuation of investment securities of BPI AIA. **Assets held for sale, net** increased by P983 million or 26.1% to P4.74 billion due to an increase in ROPA bookings.

On the other hand, **financial assets at amortized cost** declined by P37.82 billion or 9.0% to P382.71 billion due to sale and maturities of debt securities. **Due from other banks** at P36.29 billion was also lower by P8.90 billion or 19.7% on lower working balances with correspondent banks. **Cash and other cash items** at P34.84 billion also went down by P4.77 billion or 12.0% on lower level of cash and payroll for the year.

Asset Quality

The Bank's loan portfolio mix is broken down into corporates at 78.8%, and consumer at 21.2%, compared to last year's 80.6%, and 19.4%, respectively.

Allowance for Impairment at P4.00 billion declined P5.17 billion, or 56.4%, from last year's P9.17 billion. NPL ratio deteriorated to 1.84% from 1.76% in 2022, but still better than industry's NPL ratio of 3.31%.

Details of the loan portfolio and asset quality are reflected in the 2023 Audited Financial Statements Note 10 and Note 26.1.3.1, respectively.

Funding and Liquidity

Customer deposits account for 91% of BPI's total funding, while 5% is attributable to other borrowings. The Bank's liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio) are comfortably above the regulatory minimum of 100%.

The Bank's CASA Ratio was 67.0%, while the Loan-to-Deposit Ratio was 82.0%.

For further details on the Bank's deposits, borrowings, and liquidity, refer to the 2023 Audited Financial Statements Notes 15, 16, and 26.3.1, respectively.

Results of Operations

In Million Pesos	2020	2021	2022	2023	CAGR
Net Interest Income	72,264	69,583	85,065	104,350	13.0%
Non-Interest Income	29,659	27,822	33,459	33,971	4.6%
Impairment Losses	28,000	13,135	9,167	4,000	-47.7%
Operating Expenses	48,154	50,733	57,989	69,110	12.8%
Net Income	21,409	23,880	39,605	51,687	34.2%

The Bank's income from 2020 to 2023 grew at a compounded annual rate of 34.2% as net interest income and non-interest income increased by 13.0% and 4.6%, respectively, and impairment losses declined by 47.7%. However, the bottom-line impact of above-mentioned improvements was partly reduced by the 12.8% CAGR increase in operating expenses.

2021 vs. 2020

The Bank posted a **net income** of P23.88 billion, increased P2.47 billion, or 11.5% YoY, due to the lower **impairment losses** booked in 2021 versus the accelerated recognition last year in anticipation for higher NPL. The decline in **total revenues** and slightly higher **operating expenses**, partially tempered the growth.

Net interest income stood at P69.58 billion, down P2.68 billion, or 3.7%, as NIM at 3.30% contracted 19 bps on account of lower asset yields cost of funds. Average assets posted a modest increase of 1.5%.

- **Interest income** decreased P11.69, or 12.1%, versus the P96.31 billion from last year. Interest income **on loans and advances** at P72.22 billion, decreased P10.09 billion, or 12.3%, owing to lower average volume and asset yields. Interest income **on financial assets** was also lower at P10.43 billion, down 13.4%, due to lower asset yield, despite higher average volume.

- **Interest expense** of P15.03 billion, decreased P9.01 billion, or 37.5%, primarily from the decrease in Interest expense **on deposits** of P8.82 billion, or 46.4%, due to lower interest cost despite higher average volume.

Other income at P27.82 billion, down P1.84 billion, or 6.2%, on significantly lower **trading gain on securities**, down P6.35 billion, or 79.8%, on account of lower realized gains from various sales of financial assets at FVOCI and hold collect debt securities. This was partially offset by higher **fees and commissions** at P11.20 billion, up P2.21 billion, or 24.6%, on higher transaction-based service charges. **Other operating income** also increased P1.66 billion, up 18.3%, owing to the increase in miscellaneous income and higher income from credit card business. **Income attributable to insurance operations** at P1.85 billion, up 23.1%, owing to higher income contribution from the Bank's life insurance affiliates. **Income from foreign exchange trading** up 13.6%, due to favorable trading opportunities.

Other expenses were higher at P50.73 billion, up P2.58 billion, or 5.4%, primarily from **occupancy and equipment-related expenses** at P16.01 billion, increased P1.40 billion, or 9.6%, on higher technology spend driven by Bank's continued digitalization initiative.

Impairment losses stood at P13.13 billion, down 53.1%, lower than the P28.0 billion booked in 2020.

Provision for income tax at P9.43 billion, higher by P5.52 billion, compared to the P3.91 billion from last year. **Current taxes** at P8.33 billion, lower by P2.42 billion, or 22.5%, and **deferred taxes** at P1.10 billion, higher by P7.94 billion, brought about by the impact of CIT and DIT rate adjustments from the implementation of CREATE law and lower loss provisioning in 2021 vs 2020.

Income attributable to non-controlling interest decreased P12.51 million, or 5.1%, owing to lower income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at P21.27 billion, up P3.01 billion, or 16.5%, due to the increase in **net income before minority interest** by P2.46 billion, or 11.4%, and decrease in **total other comprehensive loss, net of tax effect** by P546.15 million, or 16.1%.

Net change in fair value reserve on FVOCI securities, net of tax effect at P3.59 billion loss, increased P2.23 billion, on account of lower market valuation of the Bank's investment securities. **Share in other comprehensive loss of associates** at P727.15 million loss, also increased P1.37 billion, due to the lower market valuation of the life insurance affiliate's investments securities. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P209.04 million loss, increased P403.24 million, as a result of lower market valuation of the insurance subsidiaries' investment funds. On the other hand, gain from **remeasurement of defined benefit obligation** increased P3.99 billion, or 118.0%, due to the change in valuation of the Bank's consolidated subsidiaries' contribution to the retirement fund. **Share in other comprehensive income of associates** at P447.97 million, increased P1.69 billion, due to higher accumulated fluctuation reserves of the Bank's insurance affiliate. Gain from **currency translation differences** at P626.25 million, increased P864.09 million, on account of the higher net effect from cash flow hedging.

Comprehensive income attributable to non-controlling interest decreased P155.10 million, or 49.4%, due to lower market valuation of the insurance's subsidiaries' investments.

2022 vs. 2021

In 2022, the Bank posted a **net income** of P39.60 billion, up P15.72 billion, or 65.8%, from the P23.88 billion recognized in the prior year. The increase was driven by revenue growth of P21.12 billion and lower **impairment losses** by P3.97 billion, partly tempered by higher operating expenses and taxes of P7.26 billion and P2.11 billion, respectively.

Net interest income stood at P85.07 billion, up P15.48 billion, or 22.2%, as the average earning asset base grew 12.6% and NIM at 3.59% expanded 28 bps. Earning asset yield up on higher loan yields and additional placement in financial assets at amortized cost at higher rates. Despite the 15-bps increase in deposit cost, cost of funds was only up 6 bps due to maturity of bond issuances.

- **Interest income** increased by P18.65 billion, or 22.0%, versus P84.62 billion from last year. Interest income **on loans and advances** at P84.91 billion, was up P12.68 billion, or 17.6%, owing to higher average volume and higher yields. Interest income **on financial assets** was also higher at P16.86 billion, up 61.6%, due to higher yields and higher volume.

- **Interest expense** of P18.20 billion, increased P3.17 billion, or 21.1%, on higher cost of deposit and higher average volume. Interest expense **on deposits** of P14.82 billion, was up P4.65 billion or 45.8%. On the other hand, Interest expense **on bills payable and borrowings** declined P1.48 billion 30.5% on maturity of bond issuances.

Other income at P33.46 billion, up by P5.64 billion or 20.3%. **Other operating income** increased P6.28 billion, up 58.3%, mainly on the one-off gains from the sale of a property. **Income from foreign exchange trading** up 9.7%, due to favorable trading opportunities. These increases were partly offset by the decline in **Trading gain on securities** by P538.62 million or 33.5%, due to profit-taking last year on FVOCI and significant sales of HTC securities due to PIFITA and loss from private and government securities due to generally poor market conditions. **Income attributable to insurance operations** was also down by P474.28 million or 25.6% on lower investment income of the insurance subsidiaries due to decline in value of marketable securities.

Other expenses were higher at P57.99 billion, up P7.26 billion, or 14.3%. **Other operating expenses,** at P19.70 billion was up P3.50 billion or 21.6%, on higher marketing, operations and regulatory expenses. **Occupancy and equipment-related expenses** at P18.76 billion, was up by P2.75 billion, or 17.2%, on higher technology spend driven by Bank's continued digitalization initiative. **Compensation and fringe benefits** at P19.53 billion, was up P1.00 billion, or 5.40% on annual pay hike and higher performance bonus accrual.

Impairment losses stood at P9.17 billion, down P3.97 billion, or 30.2%, as NPL levels declined in 2022.

Provision for income tax at P11.53 billion, higher by P2.11 billion, compared to the P9.43 billion from last year. **Current taxes** at P12.44 billion, higher by P4.11 billion, or 49.4%, and **deferred taxes** at -P905.59 million, lower by P2.00 billion, brought about by the impact of last year's CIT and DIT rate adjustments from the implementation of CREATE law.

Income attributable to non-controlling interest increased by P0.72 million, or 0.3%, owing to higher income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at P34.18 billion, up P12.91 billion, or 60.7%, due to the increase in **net income before minority interest** by P15.73 billion, or 65.2%, and increase in **total other comprehensive loss, net of tax effect** by P2.81 billion, or 98.9%.

Net change in fair value reserve on FVOCI securities, net of tax effect at P5.03 billion loss, was higher by P1.44 billion, on account of lower market valuation of the Bank's investment securities. **Currency translation differences** at P66.26 million loss was lower by P692.51 million from last year's P626.25 million gain, on currency translation losses from the Bank's foreign subsidiary **Actuarial loss on defined benefit plan, net of tax effect** of P7.72 million was P615.85 million lower from last year's P608.13 million actuarial gains on defined benefit obligation. **Share in other comprehensive loss of associates** at P1.01 billion was higher from last year's P727.15 million loss, due to lower accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P225.33 million loss, was higher by P16.28 million from last year's P209.04 million loss, a result of lower market valuation of the insurance subsidiaries' investment funds.

On the other hand, **share in other comprehensive gain of associates** at P686.86 million, was up P238.89 million from last year's P447.97 million due to the higher market valuation of the life insurance affiliate's investments securities.

Comprehensive income attributable to non-controlling interest increased P3.99 million, or 2.5%, due to higher market valuation of the insurance's subsidiaries' investments.

2023 vs. 2022

In 2023, the Bank posted a **net income** of P51.69 billion, up P12.08 billion, or 30.5%, from the P39.60 billion recognized in the prior year. The increase was driven by revenue growth of P19.80 billion and lower **impairment losses** by P5.17 billion, partly tempered by higher operating expenses and taxes of P11.12 billion and P1.77 billion, respectively.

Net of last year's one-off gains from the sale of a property, net income would have been higher by P15.82 billion or 44.1%.

Net interest income stood at P104.35 billion, up P19.28 billion, or 22.7%, as average earning asset base grew 7.6% and NIM at 4.09% expanded 50 bps. Earning asset yield up on higher loan yields coupled with higher volume and additional placement in financial assets at fair value through other comprehensive income at higher rates. Cost of funds was up 97 bps on an increase in average deposits and on bond issuances with higher costs.

- **Interest income** increased by P42.30 billion, or 41.0%, to P145.57 billion. Interest income **on loans and advances** at P120.90 billion, was up P35.99 billion, or 42.4%, owing to higher average volume and higher yields. Interest income **on financial assets** at P21.74 billion, was also higher by P4.87 billion or 28.9%, due to higher yields, and higher average volume for financial assets at fair value through OCI and PL. Interest income **on deposits with BSP and other banks** at P2.93 billion, was also up by P1.44 billion or 96.2% on higher yields, despite lower average volume.

- **Interest expense** of P41.22 billion increased P23.02 billion, or 126.5%, on higher cost with higher volume. Interest expense **on deposits** of P36.03 billion, was up P21.21 billion or 143.1%; while interest expense **on bills payable and borrowings** grew by P1.81 billion or 53.6%, to P5.20 billion on new bond issuances.

Other income at P33.97 billion, up by P512 million or 1.5%. **Fees and commissions** at P12.72 billion were up P1.38 billion or 12.1% on higher service charges. **Trading gain on securities** at P1.92 billion was P848 million or 79.2% higher due to realized gains from sale of securities. **Income from foreign exchange trading** at P3.23 billion was also up P608 million as there were more favorable opportunities for trading this year. **Income attributable to insurance operations** at P1.84 billion, was P464 million or 33.6% higher on higher investment income of BPI AIA. **Other operating income,** meanwhile, declined by P2.79 billion or 16.3% to P14.27 billion, on last year's one-off gains from sale of property.

Netting of last year's one-off, **other income** would have been up P5.50 billion or 19.3%. **Other operating income** will be up P2.20 billion or 18.3% on higher credit card income.

Other expenses were higher at P69.11 billion, up P11.12 billion, or 19.2%. **Other operating expenses,** at P23.88 billion, was up P4.18 billion or 21.2%, on higher marketing and operations expenses. **Occupancy and equipment-related expenses** at P22.01 billion, were up by P3.25 billion, or 17.3%, on higher technology spend driven by Bank's continued digitalization initiative. **Compensation and fringe benefits** at P23.22 billion, was up P3.69 billion, or 18.9% on annual pay hike, structural salary increases, higher performance bonus and incentives.

Impairment losses stood at P4.00 billion, P5.17 billion or 56.4% lower than last year, attributable to resilient asset quality.

Provision for income tax at P13.30 billion, higher by P1.77 billion, compared to the P11.53 billion from last year. **Current taxes** at P13.93 billion, higher by P1.50 billion or 12.0% on higher taxable revenue. **Deferred taxes** at -P635 million, lower by P271 million, on lower loss provisioning.

Income attributable to non-controlling interest at P225 million declined by P7 million or 2.9%, owing to lower income contribution from the Bank's non-life insurance affiliate.

Comprehensive Income

Total comprehensive income at P55.09 billion, up P20.91 billion, or 61.2%, due to the increase in **net income before minority interest** by P12.08 billion, or 30.3%, and increase in **total other comprehensive income, net of tax effect** by P8.83 billion, or 156.2%, to P3.18 billion.

Net change in fair value reserve on FVOCI securities, net of tax effect at P5.17 billion, was higher by P10.19 billion from last year's loss of P5.03 billion, on account of higher market valuation of the Bank's investment securities. **Share in other comprehensive income of associates** at P405 million was higher by P1.42 billion or 139.9%, from last year's P1.01 billion loss, due to higher accumulated fluctuation reserves of the Bank's insurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P90 million, was higher by P315 million or 139.97% from last year's P225 million loss, as a result of higher market valuation of the insurance subsidiaries' investment funds. **Currency translation differences** at P54 million loss was lower by P13 million from last year's P66 million loss, on currency translation losses from the Bank's foreign subsidiary.

On the other hand, **actuarial loss on defined benefit plan, net of tax effect** of P2.48 billion loss was P2.47 billion lower from last year's P8 million actuarial losses on defined benefit obligation. **Share in other comprehensive gain of associates** at P49 million, was also lower by P638 million from last year's P687 million due to the lower market valuation of the life insurance affiliate's investments securities.

Comprehensive income attributable to non-controlling interest of P275 million, increased P112 million, or 68.9%, due to higher market valuation of the insurance's subsidiaries' investments.

Key Performance Indicators

	2021	2022	2023
Return on Equity[1]	8.4%	13.1%	15.3%
Return on Assets[1]	1.1%	1.6%	1.9%
Net Interest Margin[1]	3.3%	3.6%	4.1%
Operating Efficiency Ratio	52.1%	48.9%	50.0%
Capital Adequacy Ratio[2]	16.7%	16.0%	16.2%

[1] Using daily average method
[2] Basel III Framework

The same ratios are also used to evaluate the performance of the Bank's subsidiaries.

Return on equity (ROE), the ratio of net income to average equity, and **return on assets (ROA)**, the ratio of net income to average assets, were higher at 15.3% and 1.9%, respectively, because of the 30.5% increase in net income.

Net interest margin (NIM), net interest income divided by average interest-bearing assets, was also higher at 4.1% by 50 basis points than the 3.6% in 2022, on higher earning asset yields, partially offset by higher cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, was higher at 50.0% from 48.9% in 2022, on faster acceleration of operating expenses as against revenue.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was higher at 16.2% compared to last year's 16.0%, as the growth of qualifying capital outpaced the growth in total risk-weighted assets. The CET 1 ratio at 15.3%, was also higher than the 15.1% from the same period last year. Both Bank's capital ratios are above the BSP's minimum requirement.

Presented below is the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

using simple average method	2022	2023
Return on Equity	12.9%	15.2%
Return on Assets	1.6%	1.9%
Net Interest Margin	3.6%	4.0%

Details of the basic quantitative indicators of financial performance are reflected in Note 32 of the 2023 Audited Financial Statements.

Global Economic Outlook

Global GDP growth is expected to slow down in 2024 as economies continue to deal with inflation while absorbing the impact of rate hikes. While 2023 rate hikes were milder than in 2022, the adjustment process to higher borrowing costs may extend for a considerable duration.

The US economy has been resilient with the unemployment rate near record low. Despite softer economic growth, the general consensus remains that the US economy will be able to avoid a deep recession. Nevertheless, economic expansion is expected to decelerate in 2024 as households are likely to curtail their spending given the increased financial strain of higher interest rates.

With demand easing and supply disruptions subsiding, inflation in major economies may continue to decline in the coming year. However, there are upside risks to this outlook, namely the lingering effects of Covid-19 on consumer preferences, the escalation of geopolitical tensions, the high cost of energy transition, and the effect of El Nino/ La Nina on global food production. Inflation from US services may also remain sticky given sustained fiscal impulse from the various US stimulus programs just as trade tensions bolster the bargaining power of wage earners.

The Federal Reserve may start reducing rates in 2024, although the rate cuts might not be as sizeable as the market is expecting given the tight US labor market, solid US growth, and other numerous supply-side challenges.

Philippine Economic Outlook

Inflation has finally settled within the target of the BSP after 22 months. With global commodity prices remaining stable, the contribution of transport and utilities to inflation has declined. Commodity prices may remain stable given weaker demand from major economies as they continue to absorb the impact of higher interest rates.

However, rice continues to be the primary source of risk for inflation as supply constraints will likely persist in the coming months. Importation may help, but since other countries are also seeing a decline in their production, food inflation may continue to rise significantly. Overall, inflation may bounce back in the second quarter and could breach the 4% target again for a few months, before returning to the 2% to 4% range in the 2nd half of 2024.

With the anticipated easing of inflation in 2024, consumer spending may recover this year. Growth of household consumption will likely continue to outpace that of our ASEAN peers given the favorable demographic profile of the country, combined with the continuous inflow of remittances from abroad and the declining rate of unemployment.

Investment spending may also grow faster now that adjustments in the construction sector have been made just as interest rates may have already reached their peak. Businesses may become more aggressive with their capital expenditure as the outlook for growth with lower inflation appears to be in place. Public construction will continue to be a major driver of capital spending as the government ramps up its infrastructure program.

The BSP may keep its rates steady in the first half of the year, considering an uptick in inflation in the second quarter. Rate cuts are possible in the second half of the year once inflation is firmly within the target of the central bank. However, the timing of future rate cuts and their magnitude are also contingent on what the Federal Reserve will do. If local inflation conditions are right, the BSP will likely respond immediately with rate cuts once the Fed begins its easing cycle.

As for the Peso, it may appreciate in 2024, contingent on what the Federal Reserve will do. The Peso tends to strengthen when the Fed eases its monetary policy. However, while a Fed cut might lead to Peso appreciation, its gains are likely to be smaller compared to other emerging market currencies given the substantial current account deficit of the country.

Implications on Business and Strategy

With the end of the pandemic in the Philippines finally declared in July 2023, the socio-economic landscape has since normalized, with businesses operating as usual. This is expected to be sustained in 2024 given the economic outlook. We expect BPI's performance to capture opportunities in core and fee-based businesses, increase client acquisition, strengthen its balance sheet and asset quality while maintaining profitability and delivering shareholder returns.

There are no material changes in the Bank's strategy or key priorities for the medium term. The Bank remains committed to working towards achieving the following:

- Becoming the undisputed leader in digital banking;
- Increasing the share of SME and Consumer loans in the loan book;
- Closing the gap in funding leadership;
- Transforming the role of branches in the new normal;
- Promoting sustainable banking; and
- Making customer obsession visible in all experiences.

Anchored on trust and the best digital offers, BPI is strategically positioned for success despite the shifts in consumer behavior, challenges of new competitors, and continuous economic and regulatory developments.

Item 7. Financial Statements

Please refer to Exhibit A for the 2023 Audited Financial Statements as audited by the principal accountant, the Accounting Firm of Isla Lipana & Co., and signed by the Partner Mr. John-John Patrick V. Lim.

Audit and Audit-Related Fees

BPI has paid the following fees, inclusive of taxes, to its external auditors in the past two (2) years:

Fiscal Year	Audit Fees	Audit-related Fees
2021 paid in 2022	P 21.010 Mn	P 4.558 Mn
2021 Bond offering paid in 2022	P 3.662 Mn	P 190.590 K
2022 paid in 2023	P 19.037 Mn	P 3.674 Mn
Approved for 2023 (not yet paid)	P 21.584 Mn	-

The audit and audit-related fees cover services by the external auditor that are reasonably related to the performance or review of the annual, half-year or quarter end financial statements for BPI and its subsidiaries. There were no non-audit fees for other services not related to the audit/review of the financial statements.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with Isla Lipana & Co. on accounting and financial disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

A-1. The Board of Directors and Executive Officers (as of December 31, 2023)

Following is the list of current directors serving the term 2023 – 2024:

1. **JAIME AUGUSTO ZOBEL DE AYALA**
Position: Chairman

Filipino, 65, has been a member of the board of directors of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee, Personnel and Compensation Committee and a member of the Nomination Committee. Mr. Zobel served as vice chairman from 1995 to March 2004.

Mr. Zobel serves as a director of Ayala Corporation since May 1987 and its chairman since April 2006. He holds the following positions in other publicly listed companies: Chairman of Globe Telecom, Inc., Ayala Land, Inc. He is the Chairman of AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.) and Asiacom Philippines, Inc. Mr. Zobel is also a Director of AC Ventures Holding Corp.

Outside the Ayala group, he is a director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council, Asia Center Advisory Committee and HBS Asia Advisory Committee. He sits as Chairman of the Board of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Funds Philippines National Advisory Council. He is the Co-Vice chairman of the Makati Business Club, the Chairman of Endeavor Philippines, and a Trustee Emeritus of Eisenhower Fellowships.

He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the President of the Philippines in recognition of his outstanding public service. In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business.

Mr. Zobel graduated with B.A. in Economics (Cum Laude) from Harvard University in 1981 and obtained an MBA from the Harvard Graduate School of Business Administration in 1987.

2. **CEZAR P. CONSING**
Position: Vice-Chairman

Filipino, 64 years old, was elected as regular director of the Bank in April 2021. He has served as a board director from 1995– 2000, 2004-2007, 2010 - present. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He is currently the vice chairman of BPI's Board and Executive Committee and member of Nomination Committee. Mr. Consing has also served on the board of directors of various BPI Subsidiaries namely, BPI Asset Management and Trust Corporation (also known as BPI Wealth), BPI Capital Corporation, and BPI Direct BanKo, Inc., A Savings Bank.

Mr. Consing is currently the President & CEO of Ayala Corporation and Vice Chairman of Ayala Land, Globe Telecom and AC Energy. He is Chairman of the Philippine Dealing System and College of St. Benilde. Mr.

Consing is a member of the Trilateral Commission. He is a member of the boards of trustees of the Philippine-American Educational (Fulbright) Foundation and the Manila Golf Club Foundation.

Mr. Consing was a Partner & Co-Head for Asia of the Rohatyn Group from 2004 – 2013. He was an investment banker with J.P. Morgan & Co. from 1985 – 2014. For 7 years, Mr. Consing was the Head or Co-Head of Investment Banking of Asia Pacific and President of J.P. Morgan Securities Asia. Mr. Consing has previously served as Chairman and President of the Bankers Association of the Philippines, President of Bancnet, and Chairman of the National Reinsurance Corporation.

Mr. Consing has previously served as an independent director of Jollibee Foods Corporation, CIMB Group Holdings Berhad and First Gen Corporation. He has also served as a board director of SQREEM Technologies and FILGIFTS.com. Mr. Consing has previously served as a board director of the Asian Youth Orchestra, the US-Philippines Society, La Salle Greenhills, Endeavor Philippines, and International Care Ministries.

Mr. Consing received an A.B. Economics degree (Accelerated Program), Magna Cum Laude, and the gold medal for Economics, from De La Salle University, Manila, in 1979. He obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

3. **JOSE TEODORO K. LIMCAOCO**

Position: Executive Director, President and CEO

Filipino, 62 years old, was appointed as President and Chief Executive Officer of Bank of the Philippine Islands (BPI) in April 2021.

He serves as chairman of BPI Wealth – A Trust Corporation, Bank of the Philippine Islands (Europe) Plc., BPI Capital Corporation, ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Growth Fund, Inc., Philippine Stock Index Fund Corporation, ALFM Global Muti-Asset Income Fund, Inc., ALFM Real Estate Income Fund, Inc., BPI/MS Insurance Corporation, and BPI AIA Life Assurance Corporation. He is Vice Chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation. He is also President and Vice Chairman of BPI Foundation, Inc.

Outside of BPI, he is President of the Bankers Association of the Philippines, Chairman of Philippine Payments Management Inc., a Trustee of the Asian Institute of Management, and a Director of AC Mobility Holdings, Inc. He is also a current member of the Management Association of the Philippines, the Financial Executives Institute of the Philippines (FINEX), and the Rotary Club of Makati West (where he is a Past President). Lastly, he is a Director of Just for Kids, Inc., a homegrown business of his family.

From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He was also a Director of the Board of several Ayala companies, including publicly listed companies, namely: Globe Telecom, Inc., Integrated Micro-Electronics, Inc., and SSI Group, Inc. He also served as a director of a number of Ayala group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies.

Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He was also Officer-in-Charge of Ayala Life Assurance, Inc. in 2009, director/chairman of Ayala Plans, Inc. in 2010-2015, and director of Globe Fintech Innovations, Inc. in 2017-202 and AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997.

Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. His responsibilities prior to his secondment to BPI in 2007 included Assistant Treasurer of Ayala Corporation, Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. from 2001-2006. He also served as the President of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) degree in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

4. **JANET GUAT HAR ANG**

   Position: Independent Director

   Singaporean, 64 years old, was elected as an independent director of BPI in May 2021. She is a member of the Bank's Risk Management Committee.

   Ms. Ang is currently the Chairperson of SISTIC.com Pte Ltd, NUS–ISS, Singapore Polytechnic and the Public Transport Council. Ms. Ang is also the Chairperson of the Singapore Business Federation Foundation as well as Member of the Board of The Esplanade Company Ltd and the Home Team Science & Technology Agency.

   Ms. Ang serves on the Council of Board Diversity and the Singapore Business Federation, and is a Senior Advisor of the RGE Group and independent director of Tanoto Foundation, the Philanthropy Asia Alliance and the Swire Shipping Group Pte Ltd. She is a Fellow of the Singapore Computer Society, a Fellow of Singapore Institute of Directors and a member and past president of the International Women's Forum (Singapore). She is Singapore's Non-Resident Ambassador to the Holy See and a former Nominated Member of the Parliament of Singapore (2021-2023)

   Ms. Ang had a thirty-seven-year career in the information technology industry and had lived and worked in Japan and China over a span of eleven years. She was a managing director of IBM Singapore from 2001 to 2003 and again from 2011-2015. Her last executive role was as IBM Vice President, Head of Industry Solutions of IBM Asia Pacific. She was also an Independent Director of SPH Ltd from 2014-2022 and Chairperson of the Board of Trustees of Caritas Singapore Agape Fund from 2019-2022.

   Ms. Ang was awarded The Public Service Medal in 2019. She was also awarded NUS Outstanding Service Award in 2021, the Singapore Computer Society IT Leaders Award – Hall of Fame in 2018, the NUS Distinguished Alumni Service Award in 2015 and the NUS Business School Eminent Alumni Award in 2014.

   Ms. Ang graduated with a Bachelor of Business Administration (Honours) from the National University of Singapore.

5. **RENÉ G. BAÑEZ**

   Position: Non-Executive Director

   Filipino, 68 years old, was elected as director of BPI in August 2021. He is a member of the Bank's Executive, Related Party Transaction, and Retirement/Pension Committees. Mr. Bañez also serves as a board director of BPI Asset Management and Trust Corporation (also known as BPI Wealth, A Trust Corporation) and BPI Capital Corporation.

   Mr. Bañez served as the Commissioner of the Bureau of Internal Revenue (BIR) from February 2001 to August 2002 and as Deputy Commissioner from June 1993 to November 1995.

   In the private sector, he held several senior-level positions in PLDT until his retirement in 2016. He was senior vice president and head of the Supply Chain, Asset Protection and Management Group, from 2008 to 2016; senior vice president and chief governance officer from 2004 to 2007; corporate governance advisor from 2003 to 2004; senior vice president, Support Services and Tax Management from 2000 to 2001; and first vice president, Support Services and Tax Management from 1998 to 2000. Prior to joining PLDT, he was Group Tax Director of Metro Pacific Investment Corporation until 1998.

Before his appointment to the BIR in 1993, he spent more than 11 years at accounting firm Isla Lipana & Co./PwC (formerly Joaquin Cunanan & Co.), starting as a tax consultant in 1982 until he became tax principal (Partner) from 1990 to 1993.

He is affiliated with the Equestrian Order of the Holy Sepulchre, and is a member of the Finance Board of the Archdiocese of Manila and Diocese of Pasig, Commission on the Social Apostolate of the Philippine Province Society of Jesus, Blessed Peter Faber Spirituality Center Inc., a board member/trustee of Catholic Travel Inc., Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, Solidaritas Fund and Unitas Asia Corp. (a subsidiary of Radio Veritas Asia), board advisor of LH Paragon, Inc. and Chair, Multinational Foundation, Inc..

Mr. Bañez earned his Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

6. **IGNACIO R. BUNYE**
Position: Independent Director

Filipino, 79 years old, was elected as an independent director of BPI in April 2016. He is the chairman of the Bank's Related Party Transaction Committee. He was appointed as lead independent director from April 2021 until April 2023. Mr. Bunye also serves as an independent director of BPI Asset Management and Trust Corporation (doing business under the trade name and style of BPI Wealth - A Trust Corporation), BPI Direct BanKo, Inc., A Savings Bank and BPI Capital Corporation.

Mr. Bunye was a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson in 2003, and Press Secretary in 2002. He also worked in BPI's Treasury and Corporate Finance departments from 1983 to 1986 before he began his government service in the City of Muntinlupa (then a municipality) as officer-in-charge and later as Mayor between 1986 and 1998.

During his twelve-year stewardship in Muntinlupa, Mr. Bunye founded the Muntinlupa Polytechnic College (now Pamantasan ng Lungsod ng Muntinlupa) and laid the foundation for the establishment of the Ospital ng Muntinlupa. In a concurrent capacity, he also served as Chairman of the Metropolitan Manila Authority (now Metropolitan Manila Development Authority) between 1991 and 1992, and was a member of the House of Representatives representing Muntinlupa between 1998 and 2001. A former print and broadcast journalist, he now writes a regular weekly column for Manila Bulletin, Tempo, People's Tonight, Sun Star, BusinessWeek Mindanao, Panay News and Filipino Reporter (in New York).

Significant awards and recognition received by Mr. Bunye include the Asian Institute of Management Honor and Prestige Award, the Bangko Sentral Service Excellence Medal, the Gran Oden de Isabela Catolica, and the Order of Lakandula (rank of Bayani).

Mr. Bunye is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University in 1964 and 1969, respectively. He passed the Philippine Bar Examination in 1969. He also attained his degree in Masters in Management from the Asian Institute of Management in 1976.

7. **EMMANUEL S. DE DIOS**
Position: Independent Director

Filipino, 69 years old, was elected as independent director of Bank of the Philippine Islands (BPI) in April 2022 and is the chairman of the Corporate Governance Committee. Mr. de Dios was professor at the University of the Philippines School of Economics from 1980 until his retirement in 2019. He is currently trustee/chairman of Pulse Asia Research, Inc. and is independent director of Rockwell Land Corporation and ABS-CBN Holdings Corporation. He is also a Trustee of Assisi Development Foundation, Inc., the Peace and Equity Foundation, Inc., and the FEU Public Policy Center.

He was the Dean of the University of the Philippines School of Economics from 2007 to 2010.

He received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviews in economics.

8. **OCTAVIO VICTOR R. ESPIRITU**

Position: Non-Executive Director

Filipino, 80 years old, has been a member of the board of directors of BPI since April 2000 and an independent director since April 2003 until May 2021. He is currently a member of the Risk Management Committee and Audit Committee. He was appointed lead independent director in April 2019 until May 2021.

Mr. Espiritu is an independent director of Bloomberry Resorts Corporation and Manila Water Company Inc. He is a member of the board of directors of PDS Group Holdings and Subsidiaries, Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf & Country Club, and The Country Club, Inc. He is the chairman of GANESP Ventures, Inc. and MAROV Holding Company, Inc. He is also a trustee and board member of the Carlos P. Romulo Foundation.

Mr. Espiritu was the president and Chief Executive Officer of Far East Bank & Trust Company (which merged with the Bank of the Philippine Islands in the year 2000) from 1987 until April 2000.

He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from Georgetown University, U.S.A in 1966.

9. **RIZALINA G. MANTARING**

Position: Lead Independent Director

Filipino, 64, was elected as director of BPI in April 2023. She is a member of the Bank's Corporate Governance and Retirement/Pension Committees; and Chairman of the Risk Management Committee. Ms. Mantaring is a member of the IT Steering Committee. She also serves as a board director of BPI Asset Management and Trust Corporation (also known as BPI Wealth, A Trust Corporation).

Ms. Mantaring is an independent director of Ayala Corporation, First Philippine Holdings Corporation, Universal Robina Corporation, PHINMA Corporation, Maxicare Healthcare Corporation, GoTYME Bank and East Asia Computer Center Inc. She is also a director of Sun Life Grepa Financial Inc.

She was CEO & Country Head of Sun Life Financial Philippines from 2009 – 2018, Chief Operations Officer of Sun Life Financial Asia, responsible for IT & Operations across the region, from 2008-2009, President of the Management Association of the Philippines in 2019, and President of the Philippine Life Insurance Association in 2015. She is a Trustee of the Makati Business Club and Philippine Business for Education. She is also a Fellow of the Foundation for Economic Freedom.

Ms. Mantaring was recognized by prestigious award-giving bodies, among which were the Asia Talent Management award at CNBC's 2017 Asia Business Leader Awards, the 2018 Executive Champion of the Year from the Asia Insurance Review and the Asia Pacific Entrepreneurship Award (Financial Services, Philippines) in 2016. In 2010, on the occasion of the 100th anniversary of the UP College of Engineering, she was named one of the college's 100 Most Outstanding Alumni of the Past Century. In 2019 she received the PAX award, the highest award conferred by St. Scholastica's College on an outstanding alumna.

A graduate of the University of the Philippines with a B.S. Electrical Engineering degree (cum laude), Ms. Mantaring has an M.S. Computer Science from The State University of New York at Albany and is a Fellow of the Life Management Institute (with distinction).

10. **AURELIO R. MONTINOLA III**

    Position: Non-Executive Director

    Filipino, 72 years old, has been a member of the board of directors of BPI since 2004. Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004. He also served as chairman of BPI/MS Insurance Corporation from 2005-2015 and remained as a director until June 2022. He is the chairman of the Bank's Retirement/Pension Committee and member of the Bank's Executive, and Personnel & Compensation Committees. Among the several BPI subsidiaries and affiliates, Mr. Montinola also served as member of the board of directors of the following: BPI Capital Corporation, BPI Direct BanKo, Inc., A Savings Bank, and The Bank of the Philippine Islands Foundation, Inc. until 2023.

    Mr. Montinola is the chairman of Far Eastern University, Inc. and an independent director of Roxas and Company, Inc., both PSE-listed companies. Among others, he is also the chairman of Amon Trading Corporation, Roosevelt College, Inc. and East Asia Computer Center, Inc. He is a member of the board of trustees of the Philippine Business for Education Inc. where he sits as vice chairman and is an independent director of AIA Philippines Life and General Insurance Company, Inc.

    Significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government.

    He obtained his Bachelor of Science in Management Engineering degree at the Ateneo de Manila University in 1973 and his MBA from the Harvard Business School in 1977.

11. **CESAR V. PURISIMA**

    Position: Independent Director

    Filipino, 64 years old, was elected as independent director of BPI in January 2021. He is the chairman of BPI's Nomination Committee, and member of the Executive, Risk Management and Audit Committees. He also serves as a member of the board of directors of BPI Capital Corporation.

    Mr. Purisima also serves as an independent director of Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of lkhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the board of AlA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's lnternational Advisory Council in the Philippines and member of the Board of Advisors of ABS-CBN. He is also a member of the board of trustees of the the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank. He is a member of the Bloomberg Task Force on Fiscal Policy for Health since 2024.

    Mr. Purisima served in the government of the Philippines as Secretary of Finance and chair of Economic Development Cluster of the President's Cabinet from July 2010 to June 2016 and as secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and chairman of the Land Bank of the Philippines. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by a number of publications, a first for the Philippines. Prior to serving the government, Mr. Purisima was the chairman & country managing partner of the Philippines' largest professional services firm SGV & Co.

    He was a recipient of Centenary Award of Excellence by the Professional Regulatory Board of Accountancy on the 100th year of the Philippine accounting profession in 2023. He was conferred the Chevalier dans l'Ordre national de Ia Legion d'Honneur (Knight of the National Order of the Legion of Honour) by the president of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the president of the Philippines in 2016, and the Chevalier de I'Ordre national du Merite (Knight of the National Order of Merit) by the president of the French Republic in 2001.

Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation (Philippines) in 2012. Mr. Purisima completed the Harvard Business School's CEO Harvard Presidents' Seminars in 2023 and 2024.

12. **JAIME Z. URQUIJO**

Position: Non-Executive Director

Filipino, 35 years old, was elected as director of BPI in September 2022. Mr. Urquijo serves as a director of AC Industrial Technology Holdings, Inc., Merlin Solar Technologies, Inc., Merlin Solar Technologies, Inc. (Philippines), AC Ventures Holdings Corp., BPI/MS Insurance Corporation, Integrated Micro-Electronics, Inc., and as Chairman of Klima 1.5 Corp. He is also Vice-Chairman of the Board of Trustees and Chairman of the Executive Committee of Ayala Foundation.

He is currently the Chief Sustainability and Risk Officer (CSRO) of Ayala Corporation. He was previously Vice President for Business Development at Ayala Corporation's listed energy platform, ACEN. During his tenure at ACEN, Mr. Urquijo led initiatives to expand the group's portfolio of assets in the Philippines, Vietnam, Myanmar, and Indonesia. Most recently as country manager for Indonesia, he established ACEN's office in Jakarta. These initiatives resulted in 500MW of operating wind and solar assets in Vietnam and over 2GW of pipeline projects for ACEN across the region.

Mr. Urquijo served as director of BPI AIA Life Assurance Corporation (formerly BPI-Philam Life Assurance Corporation) from 2021 to 2022. He held a key manager position in the Corporate Strategy and Business Development Group of Ayala Corporation from 2016 to 2020. He was a founding member and Head of Business Development of AF Payments, Inc. from 2014 to 2016, a joint venture between Ayala Corporation and the Metro Pacific group which won a Public Private Partnership (PPP) concession to replace the ticketing system of the LRT and MRT of Metro Manila with a unified contactless ticketing system, called the Beep Card. The Beep Card was the first interoperable transport card in the Philippines. He started his career at J.P. Morgan in New York in 2010 and was an analyst and associate until 2013.

Mr. Urquijo is the president of the University of Notre Dame Alumni Association of the Philippines, an executive committee member of the INSEAD Alumni Association of the Philippines, an advisor to the board of the Philippine Rugby Football Union and a member of the National Advisory Council of WWF Philippines.

Mr. Urquijo graduated with a B.A. in Political Science from the University of Notre Dame in 2010 and received his M.B.A. from INSEAD in 2018.

13. **MARIA DOLORES B. YUVIENCO**

Position: Independent Director

Filipino, 76 years old, was elected as director of BPI in April 2014 and as independent director in April 2016. Mrs. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Mrs. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation (doing business under the trade name and style of BPI Wealth - A Trust Corporation), and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Management Committee.

Ms. Yuvienco also serves as an Independent Director of Legazpi Savings Bank (LSB), a newly acquired subsidiary of the BPI Group following the merger with Robinsons Bank Corporation. She acts as the Chairperson of LSB's Risk Management Committee and a member of the Audit Committee.

Ms. Yuvienco worked for 41 years with the Bangko Sentral ng Pilipinas (formerly known as Central Bank of the Philippines) under various capacities until her compulsory retirement in March 2013. She held the post of Assistant Governor in the Supervision and Examination Sector when she retired. Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to supervising on-site examination and off-site monitoring of BSP-supervised entities. As a ranking official in the BSP, she had opportunities to meet and share ideas with her counterparts in other central banks in the region. Owing to her experience, she was tapped as a resource speaker in various training programs of the Southeast Asian Center for Banking in Kuala Lumpur.

Ms. Yuvienco attended the 2023 Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit held by Institute of Corporate Directors (ICD) on 03 October 2023 and the Anti-Money Laundering (AML) and Financial Crime Compliance by SGV on 26 September 2023 to comply with the requirement of Bangko Sentral ng Pilipinas (BSP).

Ms. Yuvienco graduated from St. Theresa's College, Quezon City in 1967, with a degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines Diliman. She is a Certified Public Accountant and a Career Executive Service Professional.

14. **KARL KENDRICK T. CHUA**

Position: Non-Executive Director

Filipino, 45, was elected as director of BPI in April 2023. He is a member of the Bank's Retirement/Pension Committee. Mr. Chua also serves as a board director of BPI Direct BanKo, Inc., A Savings Bank.

Mr. Chua is currently the Managing Director for Data Science and Artificial Intelligence in Ayala Corporation. He is also a Director of AC Ventures and an Independent Director of D&L Industries, Inc, and Golden ABC, Inc. Mr. Chua also serves as a Board Adviser in LH Paragon, Inc.

Mr. Chua is a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He has extensive experience in economic and fiscal policy, statistical development, national identification, labor and social protection policy, poverty analysis, and digital transformation, among others.

He is currently an adviser for the World Bank's World Development Report and a member of the Selection Committee of the Asian Development Bank and International Economic Association Innovative Policy Research Award.

Mr. Chua was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program.

As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines.

Mr. Chua graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D Economics (2011) from the University of the Philippines, and recently studied data science at the Asian Institute of Management. In 2018, he was awarded as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

15. **FERNANDO ZOBEL DE AYALA**
    Position: Non-Executive Director

    Filipino, 64 years old, has been a member of the board of directors (non-executive director) of BPI since September 2023. He also serves as a member of the Bank's Personnel and Compensation Committee and Executive Committee.

    Mr. Zobel is a Director of Ayala Corporation, a Special Advisor of the Board of Ayala Land, Inc. and serves as an independent director of Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation).

    He is a Director of AC International Finance Ltd., Chairman of the Board of Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation, Inc., Ayala Foundation, Inc., and AC Health Holdings, Inc. He is the vice chairman of Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc. He is a director of AG Holdings Ltd. and The Manila Peninsula.

    He is a director of Georgetown University; member of the Hispanic Society Museum & Library International Advisory Council; a member of the Chief Executives Organization and Young Presidents Organization; member of Habitat for Humanity International's Asia Pacific Development Council; member of the Tate Museum Asia-Pacific Acquisitions Committee, Asia Philanthropy Circle and The Metropolitan Museum International Council; member of the board of trustees of Caritas Manila, Pilipinas Shell Foundation and Asia Society.

    He holds a liberal arts degree from Harvard College and a CIM from INSEAD, France.

The Executive Officers
Officers of BPI as of December 31, 2023

1. **JOSE TEODORO K. LIMCAOCO***
   President & Chief Executive Officer

   [Please see above.]

   **Member of the Board of Directors of BPI*

2. **MARIA CRISTINA L. GO**
   Executive Vice President & Head of Consumer Banking

   Filipino, 54 years old, Ms. Go heads the Consumer Banking Segment that primarily serves over 10 million clients and oversees the 710 branches nationwide, retail digital platforms, core retail products specifically deposits, auto loans, housing loans and life and non-life bancassurance and the support services. Since the consolidation of these businesses into OneConsumer bank, Ms. Go has steadfastly focused on driving strategy focused on transforming the customer experience towards becoming what BPI refers to as "phygital", leveraging on the Bank's vast physical presence to offer trusted advice through its 9,300-strong cadre of expert bank personnel complimented by best-in-class digital capabilities that make banking easier and more convenient, anytime, anywhere. In the past year, the Consumer Bank has been able to aggressively expand the retail customer base and drive increases in market shares through more targeted segmentation and product offerings, upgraded digital platforms, and enhanced customer engagements and business partnerships combined with innovative risk management and robust use of data analytics for insighting and portfolio management. Ms. Go inspires a high performing, agile and collaborative culture to be able to serve the ever-changing needs of customers.

   Under her leadership, the Consumer Bank converted 19 branches to the phygital formats in 2023, redefining the customer experience at the branch and integrating digital education. Following the upskilling and reskilling of bank personnel started in 2022, the physical and experiential journey to transform branches from transactional to advisory centers began last year. Her experience in transformational work covering manpower, processes, products, systems, and culture enabled market-creating business growth and a high-quality customer portfolio. The client-first transformation journey is anchored on making customers happy and measured in terms of Net Promoter Score (NPS). Ms. Go rallied the team towards achieving #1 in NPS by the end of 2023 through relentless pursuit of segmented, omni-channel, delightful customer experience. She is a member of the bank's Sustainability Council. Now, BPI has 11 Edge-certified branches and introduced products such as Green Saver, MyBahay and MyKotse to support sustainability. Before assuming leadership of the Consumer Bank, she served as the President of BPI Family Savings Bank (BFSB) and was responsible for the smooth merger integration and consolidation with BPI, unlocking the value of the combined entities. She also served as Group Head of BFSB Retail Loans in 2015 after heading BPI's Payments and Unsecured Lending Group for 11 years where she led initiatives and innovations that differentiated BPI in the industry, such as the launches of the first EMV-compliant credit cards and Real Thrills, the first instant rewards program.

Before joining BPI, Ms. Go was Vice President at Citibank Philippines managing the bank's Retail Bank Marketing then at Citibank Credit Cards Cross Sell Division in New York. She also worked in Ayala Land to establish and head its Market Planning and Development Division where she became part of the team responsible for the company's foray into the middle-market. She started her career in Procter & Gamble as Brand Assistant then was promoted to Assistant Brand Manager, managing brands such as Mr. Clean, Perla, Star and Dari Crème. She earned a master's degree from the Harvard Business School with honors in 1996. She graduated magna cum laude with a degree in BS Business Administration and Accountancy from the University of the Philippines Diliman, was awarded one of the Ten Outstanding Students of the Philippines, placed first in the CPA licensure exam in 1991, and was recognized as one of the UP College of Business Administration's Distinguished Alumni in 2012. She was also recognized by the Filipina Women's Network as One of the 100 Most Influential Filipina Women the World in 2016.

Ms. Go currently serves Chairman of the Personnel Committee and Director of BPI MS Insurance Corporation, Chairman of BPI Payments Holdings, Inc., and a Director of the Board of TransUnion Philippines. She has been part of the Ayala Group's Innovation Advisory Council since its inception in 2013. She serves as a mentor for high-impact entrepreneurs in Endeavor Philippines and is a contributor to the Philippine Star's Property Report section. She is a member of the Management Association of the Philippines, Harvard Global Club of the Philippines, Harvard Business School Club of the Philippines, Filipina Women's Network, Filipina CEO Circle and NextGen Organization of Women Corporate Directors. Ms. Go actively mentors current and future young leaders in BPI and in the various organizations she is involved in.

3. **MARIA THERESA D. MARCIAL**
President & CEO of BPI Wealth

Ms. Marcial, 53, is the President & CEO of BPI Wealth - A Trust Corporation, the asset and wealth management arm of the Bank of the Philippine Islands. She is a seasoned banker with diverse experience spanning 29 years across various disciplines such as investment management, trust, private banking, corporate banking, debt and equity capital markets, finance, corporate strategy, and sustainability.

She is the chairman of BPI International Finance Ltd Hong Kong, board director of BPI AIA Life Assurance Corporation and BPI Europe Plc, independent director of Alternergy Holdings Corporation, a fellow of Foundation for Economic Freedom, a member of FINEX, MAP, NextGen Organization of Women Corporate Directors, and Filipina CEO Circle. She held key roles in BPI including a 5-year stint as Chief Finance Officer, chairman of BPI Finance Committee and BPI Sustainability Council, member of BPI Asset and Liability Committee and BPI Credit Committee, treasurer of BPI Foundation, board director and treasurer of BPI MS Insurance Corporation, board director of AF Payments, BPI Global Payments Asia Pacific Philippines, BPI Investment Management, and ALFM Mutual Funds. She previously served as president of the Fund Managers Association of the Philippines, president of the Trust Officers Association of the Philippines, vice-chairman of Capital Markets Development Committee of FINEX, and alternate governor of the Market Governance Board of Philippine Dealing and Exchange Corporation. Prior to her banking career, she worked for the Philippine government - the Agricultural Policy Credit Council and the National Economic and Development Authority.

Ms. Marcial is an advocate of marine conservation and renewable energy. She is a trustee and treasurer of WWF Philippines, member of WWF Asia Pacific Council, board trustee of Philippines Inter-Island Sailing Federation, and the Ocean Racing Club of the Philippines. She previously served as member of the National Advisory Council of WWF Philippines. She is an outdoor enthusiast, with interests in open water scuba diving, wreck diving, underwater photography, offshore sailing and yacht racing. She obtained the Royal Yachting Association Skipper Certification in Sydney, Australia. She participated in the 2018 Rolex Middle Sea Race, a 606-nautical mile Category 2 offshore yacht race around Sicily organized by the Royal Malta Yacht Club, and the 2023 Rolex China Sea Race, a 565-nautical mile category 1 offshore yacht race from Hongkong to Subic organized by the Royal Hongkong Yacht Club. She has logged over 8,000 nautical miles sailing in offshore and coastal waters of the Philippines, New South Wales Australia, South China Sea, and Mediterranean Sea.

She has a Master's Degree in Economics from the University of the Philippines Diliman and Bachelor's Degree in Economics (cum laude) from the University of the Philippines Los Baños. She completed the Advanced Management Program (2010) and the CFA Institute Investment Management Workshop (2006) at Harvard Business School. She was recognized as Outstanding Alumnus of the College of Economics and Management at UP Los Baños in 2006, one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor in 2014, CEM Centennial Outstanding Alumnus at UP Los Baños in 2019, Most Outstanding Alumnus of the University of the Philippines Los Baños in 2022, and Best CFO Institutional Investor in 2023.

4. **EUGENIO P. MERCADO**
Executive Vice President & Head of Enterprise Operations

Filipino, 61 years old, Mr. Mercado heads BPI's Enterprise Operations Segment which serves as the backbone of the organization that includes Centralized Operations, Vendor Management, Enterprise Fraud, Contact Center and Facilities Services. He also oversees the performance of major outsourcing companies related to Operations such as Brinks, ATPI, Unisys, Gemalto, Euronet and various security and courier agencies.

Mr. Mercado began his career as an Economics Research Assistant with the then Commercial Bank of Manila in 1984, and subsequently transferred to Credit as a Credit Analyst/Investigator. In 1988, he joined San Miguel Corporation and worked under the Finance Group of the Beer Division as a Credit Analyst. He continued to pursue his banking career with Citibank as Consumer Credit Analyst and Collections Head from 1992-1998. In 1998, he took on a new assignment as Assistant Vice-President, Head of Credit and Collections of Far East Bank-Credit Cards Group.

In 2000, BPI acquired FEBTC through a merger, with BPI as the surviving entity. He was assigned as Project Manager of the migration of FEBTC Credit Cards to the BPI System and eventually took on the role of BPI Cards Operations Head where he was promoted to Vice-President in 2002. In 2011, he was promoted to Senior Vice-President and was assigned to head the Electronic Channels Group - Channel Services and Management Division. In 2013, he was transferred to the Accounts Management and Trust Group as Operations and Systems Head. The following year, he was assigned as Head of Centralized Operations Group which supports all the operational requirements of various business segments that includes Consumer Banking, Corporate Banking, Global Banking and Agency Banking. In 2023, his role was expanded to include Vendor Management, Enterprise Fraud, Contact Center and Facilities Services where he was eventually promoted to Executive Vice-President.

He has served on several external boards, including the Philippine Clearing House Corporation (PCHC) and Ayala Plans, Inc. He is currently the Treasurer of PCHC. Mr. Mercado is a graduate of the University of the Philippines with a Bachelor's degree in Business Economics in 1984.

5. **MARIE JOSEPHINE M. OCAMPO**
Executive Vice President and Head of Mass Retail Products

Filipino, 61 years old, Ms. Ocampo is the Head of Mass Retail Products of the Bank, where she oversees BPI's credit, debit, and prepaid card businesses as well as personal and microfinance loans.

Ms. Ocampo is currently the Chairman of the Board of BPI Direct BanKo, the bank's microfinance subsidiary. She is a member of the Board of BPI Payments Holdings Inc., Global Payments Asia-Pacific Philippines, Inc., AF Payments Inc., and CARD MRI Rizal Bank Inc.

Ms. Ocampo started her career in BPI as Vice President for Marketing and Sales of BPI Credit Cards in 1996. She soon became the President of BPI Card Corporation, the Bank's credit card subsidiary which won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for the Bank's data warehouse, customer analytic capabilities and CRM, advertising, and digital initiatives across the breadth of products, channels, and services. In 2015, she became the Payments and Remittance Group Head.

Prior to joining BPI, Ms. Ocampo gained over ten years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care and Sanitary Protection business.

She holds a bachelor's degree in business management (Honors Program) and graduated *magna cum laude* from the Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School.

6. **JUAN CARLOS L. SYQUIA**
Executive Vice President and Head of Institutional Banking

Mr. Syquia, Filipino 57 years old, is the Head of Institutional Banking. Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage) units of the Bank. He is also Chairman of the Board of Directors of BPI's merchant acquiring joint venture company, Global Payments Asia-Pacific Philippines Incorporated. Mr Syquia also serves as a member of the Board of Directors of BPI's investment banking subsidiary, BPI Capital Corporation.

Mr. Syquia has over 30 years of work experience in the financial services industry. Before taking on his current role, he was the President of BPI Capital Corporation and Co-Head for Investment Banking of the Bank. He re-joined the Bank via BPI Capital Corporation in June 2016. Prior to this, Mr. Syquia was Managing Director and Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with Baring Brothers & Co. in 1994. Within the banking group of ING, he took on various roles in relationship management, corporate finance origination, and investment banking execution. His last role in ING Bank was as Managing Director, Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role based in Hong Kong as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. He held Board of Director positions at ING Insurance Bhd. (Malaysia), Pacific Antai Life Insurance Co. (Shanghai, China), ING Vysya Life Insurance (India).

Mr. Syquia is a product of the BPI's Officer Training Program which he completed in 1990 during his first stint at the Bank. In 1991, he was assigned to the Cebu region where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

7. DINO R. GASMEN
Senior Vice President, Treasurer

Filipino, 57 years old, Mr. Gasmen is the Treasurer and Head of Global Markets. He is responsible for optimizing the Bank's resources through management of interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution capabilities. He is the Chairman of the Bank's Asset & Liability Committee.

Mr. Gasmen also serves as Member of the Finance Committee of the Ayala Multi-Purpose Cooperative. He is also the Head of the Interest-Rate Sub Committee of the Bankers Association of the Philippines Open Market Committee.

Prior to joining BPI in 2014, Mr. Gasmen spent seventeen years at HSBC Global Markets covering various roles, such as head of the Rates Trading Business in the Philippines, Indonesia, Vietnam, and Sri Lanka, as well as Balance Sheet Management for HSBC Philippines. He also worked in HSBC Bank PLC in the United Kingdom as Asian Product Manager where he helped local sales teams in the distribution of Asian markets products.

In BPI, Mr. Gasmen has been at the helm of various divisions in Global Markets. He was the Head of Asset & Liability Management (ALM) in 2014. In this role, he was responsible for ensuring multi-currency liquidity and optimizing portfolio investments. Mr. Gasmen also served as the Head of the Treasury Trading Division from 2015 until 2018, leading the Foreign Exchange (FX) Trading, Foreign and Local Fixed Income Trading, and Derivatives Trading Desks. In 2018, he reassumed the role of Head of ALM until his assignment as the Bank's Treasurer in 2020.

Mr. Gasmen served as the President of the Money Market Association of the Philippines (MART) in 2006, and ACI Financial Markets Association Philippines in 2018.

He holds a Bachelor's degree in Electrical Engineering and a Master's Degree in Business Administration from the University of the Philippines Diliman.

8. ERIC ROBERTO M. LUCHANGCO
Senior Vice President, Chief Finance Officer, Chief Sustainability Officer and Head of Strategy and Finance

Filipino, 53 years old, Mr. Luchangco is the Chief Finance Officer, Chief Sustainability Officer, and Head of Strategy and Finance. In this role, he oversees the Bank's strategic planning and budgeting, capital structure, and sustainability agenda.

Before taking on his current role, Mr. Luchangco was Head of Business Banking from June 2019 until May 2022, where he managed BPI's presence within the space.

Mr. Luchangco initially joined the BPI Group in 2013 as Head of Debt Capital Markets of BPI Capital, the Bank's investment banking unit. His responsibilities were later expanded to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI to become the Head of Corporate Credit Products.

Prior to joining BPI Group, Mr. Luchangco worked at Daiwa Capital Markets, spending time in their Manila, Hong Kong, and Singapore offices, originating and executing a wide variety of investment banking transactions.

He holds a Bachelor's degree in Management Economics from the Ateneo de Manila University and a Master's Degree from the Ross School of Business at the University of Michigan.

9. **MARIA LOURDES P. GATMAYTAN**
Senior Vice President, Corporate Secretary

Atty. Gatmaytan, 55, is concurrently the Co-Head of Legal/Head of Corporate Legal Affairs and Corporate Secretary of BPI. She also serves as Corporate Secretary of BPI Asset Management and Trust Corporation, BPI Investment Management, Inc., BPI Direct BanKo, Inc., A Savings Bank and BPI/MS Insurance Corporation. Atty. Gatmaytan received her Bachelor of Science degree in Legal Management from the Ateneo de Manila University in 1989. She earned her Juris Doctor degree from the Ateneo de Manila School of Law, graduating with honors in 1993.

List of Other Executive Officers as of December 31, 2023

NAME	AGE	POSITION	OFFICE
ABOLA, JOAQUIN MA. B.	57	GROUP HEAD	STRATEGY AND FINANCE
ALONSO, JOSEPH ANTHONY M.	58	DIVISION HEAD	CHIEF CREDIT
ANG, OLGA S.	62	DIVISION HEAD	CONSUMER BANKING
ANICETO, HOMER L.	54	DIRECTOR	CHIEF CREDIT
ASIS, MA CRISTINA F.	53	DIVISION HEAD	CHIEF RISK
CHUA, SMITH L.	60	DIVISION HEAD	WEALTH MANAGEMENT
CHUIDIAN, TOMAS S.	57	DIVISION HEAD	WEALTH MANAGEMENT
CRUZ, LUIS GEMINIANO E.	54	GROUP HEAD	INSTITUTIONAL BANKING
EALA, MARIA VIRGINIA O.	55	HEAD, HUMAN RESOURCES	ENTERPRISE SERVICES
FERNANDEZ, RINALDO H.	58	HEAD, TREASURY TRADING	GLOBAL MARKETS
FRONDA, DENNIS T.	52	GROUP HEAD	CONSUMER BANKING
GALVEZ, MARWIN L.	44	DIVISION HEAD	CONSUMER BANKING
GARCIA, MARIA PAZ A.	57	DIVISION HEAD	WEALTH MANAGEMENT
GEALOGO, NORAVIR A.	60	DIVISION HEAD	CHIEF RISK
GO, RAYMOND H.	58	DIVISION HEAD	INSTITUTIONAL BANKING
GOMEZ, JESUS ANGELO O.	49	GROUP HEAD	MASS RETAIL PRODUCTS
JEREZA, JOSE RAUL E. IV	52	SEGMENT HEAD	AGENCY BANKING
LACERNA, JENELYN Z.	58	GROUP HEAD	MASS RETAIL PRODUCTS
LIM, MARIA TERESA ANNA K.	58	DIVISION HEAD	INSTITUTIONAL BANKING
LUKBAN, MARIA CONSUELO A.	59	DIVISION HEAD	STRATEGY AND FINANCE
MABIASEN, RODOLFO K. Jr.	48	DEPARTMENT HEAD	MASS RETAIL PRODUCTS
MACAPAGAL, JUAN JESUS C.	55	DIVISION HEAD	INSTITUTIONAL BANKING
MARCOS, NOELITO C.	53	DIVISION HEAD	INSTITUTIONAL BANKING
MINGLANA, JEROME B.	50	DIVISION HEAD	MASS RETAIL PRODUCTS
NERI, EMILIO S. Jr.	55	HEAD, ECO & MARKETS RESEARCH	GLOBAL MARKETS
OCLIASA, DOMINIQUE R.	56	SEGMENT HEAD	BUSINESS BANKING
OSALVO, EMMANUEL JESUS G.	59	DIVISION HEAD	STRATEGY AND FINANCE
PAULINO, MA. GENALYN R.	53	DIVISION HEAD	BUSINESS BANKING
PENA, RICARDO D.	47	DIVISION HEAD	ENTERPRISE OPERATIONS
PINEDA, DONARBER N.	55	HEAD, GLOBAL MARKETS SALES	GLOBAL MARKETS
SANTAMARIA, MARY CATHERINE ELIZABETH P.	56	SEGMENT HEAD	CUSTOMER & MARKETING
SEMINIANO, ALEXANDER G.	49	GROUP HEAD	ENTERPRISE TECHNOLOGY
SEVILLA, CHRISTMAS G.	58	DIVISION HEAD	WEALTH MANAGEMENT
STA ANA, ANA LIZA C.	59	DIVISION HEAD	CONSUMER BANKING
SY, CRISTINA J.	54	DIVISION HEAD	CONSUMER BANKING
UNTALAN, BARBARA ANN C.	56	GROUP HEAD	INSTITUTIONAL BANKING
VELOSO, ROLAND GERARD JR. R.	60	GROUP HEAD	INSTITUTIONAL BANKING

A-2. Significant Employees

The Bank values its human resources and considers its entire workforce as significant employees. It expects each employee to do his share in achieving the company's set goals and objectives.

A-3. Family Relationships

The Chairman of the Board of Directors, Mr. Jaime Augusto Zobel de Ayala, and Mr. Fernando Zobel de Ayala, a member of the Board, are brothers.

Mr. Jaime Zobel de Ayala Urquijo, a member of the Board, is a 3rd degree relative by consanguinity (nephew) of Mr. Jaime Augusto Zobel de Ayala and Mr. Fernando Zobel de Ayala.

A-4. Legal Proceedings

To the knowledge of the Bank, none of its nominees for election as Directors and its Executive Officers have been subject of the following legal proceedings during the last five (5) years:

i. any bankruptcy petition filed by or against any business of which such director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
ii. any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
iii. any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
iv. being found by domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

A-5 Resignation of Directors

To date, no director has resigned from, or declined to stand for election or re-election to the Board since the date of the 2023 annual meeting of stockholders due to any disagreement with the Bank relative to its operations, policies and practices.

Item 10. Executive Compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Jose Teodoro K. Limcaoco President and CEO Ramon L. Jocson* Executive Vice President Maria Cristina L. Go** Executive Vice President Maria Theresa D. Marcial Executive Vice President Marie Josephine M. Ocampo Executive Vice President Juan Carlos L. Syquia Executive Vice President				
CEO and Most Highly Compensated Executive Officers	Actual 2022	P230.08 Mn	P78.58 Mn	P0
	Actual 2023	P159.83 Mn	P122.90 Mn	P0
	Projected 2024	P173.02 Mn	P153.86 Mn	P0
All other officers*** as a group unnamed	Actual 2022	P9,689.33 Mn	P1,110.53 Mn	P0
	Actual 2023	P12,093.37 Mn	P1,815.26 Mn	P0
	Projected 2024	P13,217.91 Mn	P2,309.83 Mn	P0

*Up to December 2022
**Starting from January 2023
***Assistant Managers and up (excluding all above-named officers)

The above compensation consists of the basic salary and other compensation income (guaranteed bonus, fixed allowances, and performance-based bonus) and does not include benefits under the Company's Executive Stock Purchase Plan.

Unless otherwise stated, the Company has no other arrangement regarding the remuneration of its existing officers aside from the compensation received herein.

Compensation of Directors

Article V of the Bank's Amended By-Laws provides:

> "Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year.
>
> The Personnel and Compensation Committee of the Bank shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope."

The compensation structure of the directors, as approved by the Board of Directors on 20 April 2022, and by the stockholders during the 2023 Annual Stockholders' Meeting dated April 27, 2023, consists of an annual retainer fee in the amount of Php4.2M and per diem in the amount of Php70,000 per Board meeting and Php30,000 per Committee meeting attended. Directors who hold executive or management positions do not receive directors' fees or per diems.

The total compensation for 2023 for the members of the Board of Directors amounted to Php84,700,000.00[1].

Standard Arrangement

Other than the above-mentioned compensation for Directors, the Bank has no other arrangement with regard to compensation of Directors, directly or indirectly, for any other services provided by the said directors, for the last completed fiscal year.

[1] Includes P25.9M for the year 2023 representing per diem of Directors at P70,000 per Board meeting and P30,000 per Committee meeting attended.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% as of December 31, 2023

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percent of Holdings
Common	**PCD Nominee Corporation**[1] 37/F Tower 1, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City Stockholder	PCD Participants acting for themselves or for their customers	Non-Filipino	964,331,662	19.5004%
			Filipino	870,758,949	17.6082%
				1,835,090,611	37.1086%
Common	**Ayala Corporation**[2] 37th to 39th Floor Ayala Triangle Gardens Tower Two, Paseo de Roxas, corner Makati Avenue, Makati City Stockholder	Ayala Corporation[3]	Filipino	1,515,177,839	30.6394%
Common	**Liontide Holdings, Inc.**[4] 38th Floor Ayala Triangle Gardens Tower Two, Paseo de Roxas, corner Makati Avenue, Brgy. Bel-Air, Makati City Stockholder	Liontide Holdings, Inc.[5]	Filipino	823,218,041	16.6468%
Common	**Roman Catholic Archbishop of Manila** 121 Arzobispo St., Intramuros Manila Stockholder	Roman Catholic Archbishop of Manila[6]	Filipino	357,297,439	7.2251%

[1] PCD Nominee Corporation (PCD), now known as the Philippine Depository and Trust Corporation (PDTC), Non-Filipino and Filipino, is the registered owner of the shares beneficially owned by participants in the PDTC. The Board of Directors of each participant generally has the power to decide on how shares are to be voted. Out of the 1,835,090,611 common shares registered in the name of PCD, 547,135,240 shares (or 11.0640% of the total outstanding shares), 444,291,288 shares (or 8.9843% of the total outstanding shares), and 344,540,182 shares (or 6.9672% of the total outstanding shares) are for the accounts of The Hongkong and Shanghai Banking Corporation, Citibank N.A., and Standard Chartered Bank, respectively.

[2] Mermac, Inc. owns 47.8577% of common shares and 57.2579% of total voting shares, while Mitsubishi Corporation owns 6.0941% of common shares and 6.9961% of total voting shares, respectively, of the outstanding shares of Ayala Corporation (AC).

[3] The Board of Directors of AC has the power to decide how AC's shares in BPI are to be voted.

[4] AC owns 95.51% of the outstanding shares of Liontide Holdings, Inc. (formerly Ayala DBS Holdings, Inc.), which translates to 93.44% effective ownership.

[5] The Board of Directors of Liontide Holdings, Inc. ("Liontide") has the power to decide how Liontide's shares in BPI are to be voted.

[6] The Archbishop of Manila has the power to decide how the Roman Catholic Archbishop of Manila's shares in BPI are to be voted.

1. **Security Ownership of Directors and Management as of December 31, 2023**

As of December 31, 2023, the following are known to BPI to be the record and/or beneficial owners of BPI voting securities:

Title of Class	Name of Beneficial Owner	Position	Dec 2023		Nature of Ownership (D) Direct (I) Indirect	Citizenship
			No. of Shares	% of Holdings		
Common	Jaime Augusto Zobel de Ayala	Chairman, NED	10,402	0.00%	D	Filipino
Common	Cezar P. Consing	Vice Chairman, NED	3,062,734	0.06%	D	Filipino
Common	Jose Teodoro K. Limcaoco	ED, President & CEO	314,925	0.01%	D / I	Filipino
Common	Janet Guat Har Ang	ID	10	0.00%	D	Singaporean
Common	René G. Bañez	NED	10	0.00%	D	Filipino
Common	Ignacio R. Bunye	ID	10	0.00%	D	Filipino
Common	Karl Kendrick T. Chua	NED	10	0.00%	D	Filipino
Common	Emmanuel S. De Dios	ID	10	0.00%	D	Filipino
Common	Octavio Victor R. Espiritu	NED	1,064,583	0.02%	D	Filipino
Common	Rizalina G. Mantaring	ID	9,973	0.00%	D	Filipino
Common	Aurelio R. Montinola III	NED	1,956,471	0.04%	D	Filipino
Common	Cesar V. Purisima	ID	10	0.00%	D	Filipino
Common	Jaime Z. Urquijo	NED	10	0.00%	D	Filipino
Common	Maria Dolores B. Yuvienco	ID	6,331	0.00%	D	Filipino
Common	Fernando Zobel de Ayala	NED	96,327	0.00%	D	Filipino
	SUB-TOTAL		6,521,816			

Title of Class	Name of Beneficial Owner	Position	Dec 2023		Nature of Ownership (D) Direct (I) Indirect	Citizenship
			No. of Shares	% of Holdings		
Common	Maria Cristina L. Go	EVP	59,741	0.00%	D	Filipino
Common	Eugenio P. Mercado	EVP	68,005	0.00%	D	Filipino
Common	Marie Josephine M. Ocampo	EVP	227,427	0.01%	D	Filipino
Common	Juan Carlos L. Syquia	EVP	28,080	0.00%	D	Filipino
	SUB-TOTAL		383,253			
	TOTAL		**6,905,069**			

None of the members of the Bank's Board of Directors and Management owns 2.0% or more of the outstanding capital stock of the Bank.

2. **Voting Trust Holders of 5% or More**

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

3. **Minimum Public Ownership**

As of December 31, 2023, listed securities held by the public were at 51.33% of BPI's outstanding common shares. This is above the minimum required public float level of 10%.

Item 12. Certain Relationships and Related Party Transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries and affiliates (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions, including those involving DOSRI, for which the latter shall require final Board approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management, namely, the Chief Audit Executive and the Chief Compliance Officer.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

Significant related party transactions and outstanding balances as at and for the year ended December 31, 2023, are summarized below:

Consolidated

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	71	113	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(3,087)	61,567	
Other related parties	-	-	
	(3,016)	61,680	
Deposits from:			
Associates	912	1,949	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.70% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(2,239)	687	
Key management personnel	958	1,215	
	(369)	3,851	

A more detailed discussion on related party transactions can be found in Note 25 of the 2023 Audited Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

I. **Corporate Governance Framework**

We anchor our corporate governance framework on: (i) qualified and competent leadership, (ii) rigorous internal controls, (iii) an effective risk culture and (iv) strong accountability to shareholders. The Bank's corporate governance framework is defined by its Articles of Incorporation, Amended By-Laws and Manual on Corporate Governance, and takes into account the nature, size, complexity, business activities and requirements of the Bank as well as its group operations. Banking practices, guided by BPI's Board and Committee charters, the Manual of Corporate Governance, Code of Business Conduct and Ethics and internal operating manuals, reflect the integrity and ethics that define the Bank's decision-making, conduct and behavior, and are consistent with statutory laws, rules and regulations of the Bangko Sentral ng Pilipinas (BSP), Securities Exchange Commission (SEC), Anti-Money Laundering Council, Philippine Deposit Insurance Corporation, among others.

As a publicly listed company, BPI recognizes that robust corporate governance policies and practices promote a fair and sound market valuation of BPI shares and maintain the confidence of customers and investors alike. BPI strives to be jointly compliant with corporate governance and listed company disclosure requirements and standards of the SEC and the Philippine Stock Exchange. As an issuer in capital markets, the Bank also has a policy of continuous disclosure and transparency and utilizes disclosure mechanisms of the various exchanges in which its capital market issuances are traded. BPI also actively pursues alignment with best practices of counterparts in the region. The Bank strongly supports initiatives to strengthen regional capital market development and integration, especially through adoption of rigorous benchmarking methodology of the ASEAN Corporate Governance Scorecard. In addition, considering BPI's role in the group as parent and publicly-listed company, the Board maintains an effective, high- level risk management and oversight process across other companies in the group to ensure consistent adoption of or alignment with the aforementioned corporate governance policies and systems.

II. **Board Governance**

a) Advisory Council. As part of the Bank's efforts to strengthen stewardship further, the Bank's Advisory Council to the Chairman, created in 2016, currently has five-members, comprised of senior thought leaders, captains of industry and luminaries in their respective fields, the Advisory Council expands the range of expertise, experience, and collective wisdom available to the Bank.

b) Board of Directors. Our fifteen-member Board plays a key role in setting our governance standards to meet our stakeholders' expectations. In 2023, Non-Executive Directors (NEDs) comprising a majority or 14 out of the 15, were elected to the Board in April. The only Executive Director (ED) is the President and CEO. The size of our Board is deemed appropriate given the complexity of operations of the Bank and the entire BPI group, the geographical spread of our business, and the significant time demands placed on the Directors. In 2023, the following membership and director classification changes occurred:

- At its meeting held on February 15, 2023, the Board approved the appointment of Ms. Janet Guat Har Ang as Interim Chairman of the Risk Management Committee (RMC) for the remainder of the current board term 2022-2023 replacing Mr. Octavio Victor R. Espiritu. The Board likewise approved the update of the composition of RMC from the current five (5), to three (3), board members, composed of Independent Director Janet Guat Har Ang, Independent Director Cesar V. Purisima and Non-Executive Director Octavio Victor R. Espiritu.

- At the Annual Stockholders' Meeting on April 27, 2023, Mr. Karl Kendrick T. Chua and Ms. Rizalina G. Mantaring were elected as new members of the Board.

- At its meeting held on May 17, 2023, the Board approved the appointment of Mr. Karl Kendrick T. Chua as an additional member of the Retirement/Pension Committee.

- At its meeting held on September 20, 2023, the Board elected Mr. Fernando Zobel de Ayala ("Mr. Zobel") as Director vice Mr. Romeo L. Bernardo ("Mr. Bernardo") who had resigned effective September 12, 2023 in view of his appointment to the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). Mr. Zobel was also appointed as a member of the Executive Committee and Personnel and Compensation Committee vice Mr. Bernardo. With his election to the Board of Directors, Mr. Zobel relinquished membership in BPI's Advisory Council.

  Chairman and Vice-Chairman. The Board has a Chairman and Vice-Chairman, both of whom are non-executive directors. The Chairman, who is not the CEO of the Bank in the past three years, is separately appointed from the President and CEO. Said positions are currently held by two individuals who are not related to each other and have roles and responsibilities that are also separate and distinct, as detailed in the Manual on Corporate Governance. The Chairman guides the Board in its decision-making process and ensures that the Board operates effectively as a team. The Chairman also forges a positive and constructive working relationship between the Board and management. With the Chairman at the helm, the Board sets BPI's strategy and risk appetite, and approves capital and operating plans presented by management for sustainable achievement of strategic objectives. In the absence of the Chairman of the Board, the Vice Chairman assumes and performs all the powers and duties of the Chairman of the Board.

  Lead Independent Director. At the Organizational Meeting of the Board of Directors, following the 2023 BPI Annual Stockholders' Meeting, Independent Director Rizalina G. Mantaring was appointed as Lead Independent Director. Although current regulations of the BSP require the appointment of a Lead Independent Director only when the positions of Chairman of the Board of Directors and CEO are, with prior approval of the Monetary Board, held by one person, the Board appointed a Lead Independent Director in pursuit of best practice governance standards.

  Diversity and Independence. Our leadership model ensures an appropriate balance of power, accountability, and independence in decision-making. As disclosed on the company website, the Board adopted a Diversity Policy, in 2015 to institute diversity at the board level; In 2023, 3 out of 15 or 20% of the Board was comprised of women, which are all Independent Directors. For the 2023 to 2024 Board term, six out of the 15–member board elected or 40% of the Board are classified as Independent or having no interest or relationship with BPI at the time of election, appointment, or re-election. Fourteen or 93% of the Board are Non-Executive Directors, who are not involved in the day-to-day management of banking operations.

c) Board Charter. The Charter of the Board articulates, with specificity, the governance and oversight responsibilities exercised by its directors and their roles and functions in the Bank. It includes provisions on board composition, committees, and governance, subject to provisions of the Bank's Articles of Incorporation, Amended By-Laws, and applicable laws. It is incorporated in the BPI Manual on Corporate Governance (MCG) and reviewed with the annual review of the Manual. The Bank's updated and revised MCG was approved and adopted by our Board in its entirety on January 17, 2024. As stated in the Charter, the Board's key areas of focus include:

- Governance – Ensuring that corporate responsibility and ethical standards underpin the conduct of BPI's business; developing succession plans for the Board and CEO; establishing the general framework of corporate governance for the Bank;
- Strategy - Reviewing BPI's strategic and business plans; growing the business sensibly and building resilience into the franchise;
- Risk management – Ensuring that effective risk management, compliance and assurance processes undergird our business;
- Financial performance – Monitoring management performance; achieving goals and targets;
- Sustainability - Considering sustainability issues (including environmental and social factors) and including these as part of the Bank's strategy.

d) Board Committees. To heighten the efficiency of board operations, the Board has established Committees that assist in exercising its authority for oversight of internal control, risk management, and performance monitoring. In 2023, the Bank had eight board-level committees: Executive, Risk Management, Audit, Corporate Governance, Personnel and Compensation, Nomination, Retirement and Pension, and Related Party Transactions Committees. Board-level committee memberships were also evaluated and calibrated to improve the committee's focused oversight and high-level engagement with management. The respective charters stating committee purpose, membership, structure, operations, reporting processes and other information are disclosed in regulatory reports, posted on the company website and reviewed by the committees annually. Annual performance reviews are conducted by all board-level committees.

e) Corporate Secretary. The Board is assisted in its duties by a Corporate Secretary who is not a member of the Board of Directors and is a senior, strategic-level corporate officer who plays a leading role in the Bank's corporate governance, serving as an adviser to the directors on their responsibilities and obligations. The Board has separate and independent access to the Corporate Secretary. All directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from senior management. Our Corporate Secretary is suitably trained and experienced in legal, accountancy or company secretarial practices and is professionally qualified for these responsibilities. Our Corporate Secretary also possesses the legal skills of a chief legal officer whose training is complemented by business, organizational, human relations, and administrative work skills. Our Corporate Secretary is also Corporate Secretary of various BPI subsidiaries and affiliates.

f) External Advice. Considering the increasing complexity of market transactions and rapid rate of change in the regulatory sphere, the Board, if so requested by the Chairman or other directors, can call on external specialists or consultants for advice, briefings, or assistance on specialized areas of focus such as accounting standards, related party transactions, capital, tax, listing, mergers and acquisitions, valuation, etc. Management can arrange for the external auditor, management services company or consultants to present to the Board and the Bank.

g) Nomination. As we are a financial institution imbued with public interest, fit and proper qualifications for membership in our Board of Directors are dictated by our Amended By-Laws, Manual on Corporate Governance, the Corporation Code, and relevant regulations of the Bangko Sentral and the SEC. As a publicly listed company, we also ensure that Board composition and director qualifications also meet pertinent governance regulations, requirements, and standards of the PSE. As disclosed in the Manual on Corporate Governance, candidates for directorship may be recommended by shareholders to the Nomination Committee through the Office of the Corporate Secretary. Among other qualifications, candidates must be fit and proper for the position of a director, taking into consideration integrity/probity, physical/mental fitness, relevant education/financial literacy/training, possession of competencies relevant to the job such as knowledge and experience, skills, diligence and independence of mind and sufficiency of time to carry out responsibilities. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means. The Committee itself may likewise identify and recommend qualified individuals for nomination and election to the board and may make use of professional search firms or other external sources to search for qualified candidates to the board. Separate qualifications and disqualifications for Independent Directors based on regulations are enumerated in the Bank's Manual on Corporate Governance. Directors must remain qualified throughout the term. All of the Bank's annual reports contain comprehensive profiles of the Board of Directors which disclose the age, qualifications, date of appointment, relevant experience and directorships both in the BPI group as well as in other companies, listed or otherwise. In compliance with SEC Memo. Cir. No. 11, s2014, the Bank also posts biographical details of the Board of Directors and Senior Management on the company website.

h) Election and Term of Directors. Board members are elected by BPI stockholders who are entitled to one vote per share at the Bank's Annual Stockholders Meeting. Voting for the election of members of the Board is considered in a poll, by shares of stock, that is, one share entitles the holder to one vote, two shares to two votes. Votes may be cumulated as provided for in the Corporation Code. The fifteen nominees receiving the highest number of votes are declared elected. The Bank's Amended By-Laws state that elections for the Board of Directors will be held yearly during the Annual Stockholders Meeting. Directors are to hold office for a term of one (1) year immediately upon their election and until the next election when their successor shall have been elected and qualified in accordance with the Amended By-Laws and Corporation Code. No meeting of stockholders shall be competent to transact business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day or until such time as may be deemed proper. The Rules of Conduct, voting and vote tabulation procedures are explained during the Annual Stockholders Meeting. In its meeting held on February 15, 2023, the Board approved Management's recommendations for BPI to provide the Bank's stockholders with the option to vote in absentia through an online electronic system in the 2023 Annual Stockholders Meeting. Hence, at the April 27, 2023, Annual Stockholders Meeting, BPI stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results. Voting results are likewise disclosed on the various exchanges where BPI's capital market issuances are traded and the company's website as soon as possible after the meeting. The election/appointment of directors/officers must also be confirmed by the Monetary Board of the BSP. Elected/appointed directors/officers must submit required certifications and other documentary proof of qualifications for the confirmation of their election/appointment. The nomination and election processes and their effectiveness are reviewed annually by the Nomination Committee during its review of the committee charter and its self-assessment, by its members, of committee performance. In adherence to Recommendation 2.6 of the SEC CG Code for PLCs, these nomination and election policies are disclosed in BPI's Manual on Corporate Governance as well as on the company website.

i) Directorships in PLCs. The Bank applies a limit of five on directorships of Non-Executive Directors and Independent Directors in publicly-listed companies and within conglomerates. Internally, the Bank ensures that the policy does not impinge on or violate a shareholder's ownership rights and legal right to vote and be voted upon as directors.

j) Interlocking Directorships. The Bank has a Policy on Directors and Officers Interlocking Positions which: (1) adopts the rules as provided by BSP Circular No. 1129 for determining allowable and prohibited interlocking positions; (2) establishes internal guidelines, procedures and processes for proper management of directors' and officers' interlocking positions, and; (3) sets out the minimum requirements from the circular for monitoring, compliance and regulatory reporting of director and officer interlocking positions in the BPI Group.

k) Meetings and Attendance. The BPI Board meets regularly for the effective discharge of its obligations. Regular board meetings are convened monthly. Board of Directors meetings are scheduled at the beginning of the year to cover the full term of the newly elected or re-elected members of the Board, reckoned from the date of the current year's Annual Stockholders Meeting to that of the following year. Special meetings may be called for as needed. Items placed on the board agenda are those that have the most fundamental importance and broad policy implications for the Bank. Directors are free to suggest items for inclusion in the agenda and are free to raise at any board meeting subjects that are not on the agenda for that meeting. At the Chairman's discretion, any agenda items may also be referred for discussion in the respective committees. The Chairman presides over meetings of the Board. The Vice Chairman presides in the absence of the Chairman. Board and committee meetings are conducted consistent with the Bank's Amended By-Laws. Discussions during the board meetings are open and independent views are given consideration. The minimum quorum requirement for board decisions is set at two-thirds (2/3) of Board members as provided by the Bank's Amended By-Laws. In November 2019, the Board approved the amendment of the company By-Laws to, among others, raise the minimum quorum at any meeting for the transaction of corporate business from a majority to two-thirds (2/3) of the members of the Board of Directors. When necessary, the Board holds executive sessions to discuss sensitive matters. Board reference materials are made available to the directors at least five days in advance of the scheduled meeting. As an innovation to board governance, all materials for Board and Board committee meetings are uploaded through a secure system onto individual tablet devices specifically provided to the Board members to ensure immediate receipt and quick access. Independent and Non-Executive Directors of the Bank also meet at least once a year without the presence of the executive director or management. In 2023, average attendance of re-elected and newly elected members at the Board of Director's 14 meetings was 99%. When exigencies prevent a Director from physically attending a Board or Board committee meeting, facilities for telephone conferencing are made available. In those instances when a Director is unable to attend meetings even through teleconferencing due to prior commitments or unavoidable events, said Director provides input to the chairman so that his views can be known and considered. The Bank's Non-Executive Directors conducted a separate meeting on November 20, 2023 to discuss ongoing initiatives and semestral performance of the risk management, internal audit and compliance units of the Bank. The meeting was chaired by the Bank's appointed lead Independent Director. Aside from the NEDs present, the meeting was also attended by the BPI control heads – Chief Risk Officer, Chief Audit Executive and Chief Compliance Officer. The external auditor was also in attendance.

l) Continuing Education. The Bank ensures that it has in place a formal board and director development program. For new directors, there is a deliberate, systematic and rapid familiarization with the organization and the operations of the board, Articles of Incorporation and Amended By-Laws, Manual of Corporate Governance, Board Charter as well as the Code of Conduct, standards of Conflict of interest and policies such as Insider Trading, Whistleblowing, Data Privacy and Related Party Transactions. The Bank, through its various units, also provides continuing director education in relation to current developments; these include regulatory initiatives with respect to Data Privacy, Cyber Risk and Cyber Security, the Anti-Money Laundering and Terrorist Financing Prevention Program, Foreign Account Tax Compliance Act, Securities Regulations Code, Sustainability Issues and ESG Reporting, SEC memorandum circulars, and BSP regulations, among others. All the Bank's directors undergo the requisite corporate governance seminar provided by an SEC or Bangko Sentral-accredited institution. On October 03, 2023, members of the Board, including senior officers of the Bank, attended the Annual CG Training Program conducted by the Institute of Corporate Directors (ICD). Other directors attended corporate governance training conducted by the ICD on December 15, 2023.

m) Remuneration. The remuneration decisions for the Board and management are aligned with risk incentives and support sustainable, long-term value creation. Apart from ensuring that Board and management pay appropriately reflects industry conditions and financial performance, the Bank likewise rebalances returns back to shareholders through a consistent dividend declaration. Under the Bank's Amended By-Laws, as approved by the shareholders, the Board, as a whole, determines the level of remuneration and/or benefits for directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role. The Personnel and Compensation Committee recommends to the Board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BPI's size and scope. As provided by the Amended By-Laws and pursuant to a Board resolution, each director is entitled to receive fees and other compensation for his services as director. The Board has the sole authority to determine the amount, form, and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of the Board exceed 1% of the Bank's net income before income tax during the preceding year. Directors receive per diems for each occasion of attendance at meetings of the Board, P70k, or of a board committee, P30k. All fixed or variable remuneration paid to directors may be given as approved by stockholders during the Annual Stockholders Meeting, upon recommendation of the Personnel and Compensation Committee. Other than the usual per diem arrangement for Board and Committee meetings and the aforementioned compensation of Directors, there is no other standard arrangement as regards compensation of directors, directly or indirectly, for any other service provided by the directors for the last completed fiscal year. Directors with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as Non-Executive Directors. No director participates in discussions of the remuneration scheme for himself or herself. Historically, total compensation paid annually to all directors has been significantly less than the cap stipulated by the Bank's Amended By-Laws. The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank's high-performance culture, objectives, long-term outlook, risk assessment and strategies. This relationship between remuneration and performance aligns the remuneration of the Board with the long-term interests of the Bank.

n) Performance Evaluation. The Board conducts an annual board effectiveness review under the guidance of the Corporate Governance Committee, which ascertains alignment of leadership fundamentals and issues, and validates the Board's appreciation of its roles and responsibilities across four levels: the Board as a body, Board Committees, individual Directors and the President and CEO. Key evaluation criteria are built on the Board's terms of reference and committee charters and framed around broad leadership fundamentals and best practice. The Corporate Governance Committee processes and tabulates the results of the self-assessments and communicates them to the Board. Areas for improvement are discussed by the Board, in order to agree on remedial actions. The Corporate Governance Committee may also develop recommendations and action plans for the Board, whenever necessary and desirable. In adherence to Recommendation 6.1 SEC CG Code for PLCs the Board may also consider the use of an independent, external facilitator in the conduct of the Board self-assessment. In this respect, the Board conducted its 2023 annual performance evaluation in early 2024. Directors assessed that the Board as well as its committees and individual directors had performed their duties and responsibilities effectively for the past year and that there were no material issues with respect to membership, governance and operations. This also included an assessment of the President and CEO.

o) Succession Planning. Our Board is regularly refreshed in a continuing cycle. The Nomination Committee and the Corporate Governance Committee work within a general board succession plan framework to ensure that: 1) appropriate governance processes are in place and ongoing, for identifying, assessing and monitoring future needs of the Board; 2) there is continuity and transfer of knowledge in the Board so that it may effectively fulfill its role and responsibilities to BPI, as that may evolve over time, and; 3) the Board is taking a prudent and structured approach to managing succession risk. (BSP Cir. 969 and Recommendation 2.4 SEC CG Code for PLCs) The Corporate Governance Committee assists the Nomination Committee in the annual review and assessment of the structure, size and composition of the Board and Board-level committees. The committees take into consideration the Bank's current strategy and business, regulatory requirements on independence and diversity, as well as comparative benchmark and peer group analysis. The Corporate Governance Committee also utilizes a Skills and Expertise Matrix to proactively shape board composition, identify competency gaps, if any, and build the desired or required competency profile against which candidate directors will be assessed. Using a point system, succession planning priorities are then determined to guide the Nomination Committee in the assessment of candidates and in managing current and future requirements of the Board. The Board understands the importance of succession planning and, through its Personnel and Compensation Committee (PerCom), manages the talent pipeline and assembles the right executive and leadership appetency capable of navigating the Bank through strategic, market, technology, and regulatory shifts. In consultation with the Board and the President and CEO, either the PerCom evaluates and nominates potential successors to the President and CEO, as well as ensures there is a sufficient pool of qualified internal candidates to fill other senior and leadership positions. The Bank's effective succession planning has ensured leadership continuity within the last two decades, witnessing four President and CEO changes, marked by early planning and mentoring, smooth organizational and operational transitioning and prudent but progressive institutional building at BPI and across the BPI group. We believe that it is crucial to have a good balance between continuity and fresh perspectives on the Board. In much the same way, our Board is regularly refreshed in a continuing cycle. The Nomination Committee and the Corporate Governance Committee work within a general board succession plan framework to ensure that the Board is able to fulfill its fiduciary duties so that the Bank remains relevant, agile, and anticipatory of future programs and directions.

p) Retirement Policy. The Bank believes that imposing uniform and fixed limits on director tenure is counterproductive as it may force the arbitrary retirement of valuable directors. It is the Bank's strong view that with age often comes unmatched wisdom and experience, expert business judgment, invaluable industry and community relations and authority, and that the best interests of the Bank are served by its being able to retain directors that make very meaningful contributions to the Board and the organization regardless of age. The Bank, therefore, sets the retirement age for Directors at 80 years of age but the Board may opt to waive depending on specific conditions. Term limits of Independent Directors are set at a maximum cumulative term of nine (9) years as prescribed in the Manual of Regulations for Banks and SEC Mem.Cir.No. 9, Series of 2011 and No. 4, Series of 2017. Retirement of senior management is done with the requisite succession planning and in accordance with the Bank's policies and implementing guidelines of its retirement plan for all employees, the Bank's Amended By-Laws, Labor Code and the Corporation Code of the Philippines. Currently, the retirement age for Bank employees is set at 60 years old.

III. **Risk, Control, and Compliance Oversight and Management Relations**

a) Audit. Based on Internal Audit assurance activities, Internal Audit provides reasonable assurance to the Audit Committee, Board of Directors and Senior Management that the Bank's systems of internal controls, corporate governance, and risk management processes are adequate and generally effective. This unit reports directly to the Board through its Audit Committee. It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units. Through this system for the comprehensive monitoring and review of risks and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting the business. The Internal Audit Division is headed by a Chief Audit Executive who is appointed by the Board and reports functionally to the Board of Directors through the Audit Committee and administratively to the President and CEO. The Audit Committee recommends to the Board the appointment of a Bangko Sentral-accredited external auditor for the purpose of preparing or issuing an audit report or related work. The appointment or re-appointment of the Bank's external auditor is subject to approval and endorsement by the Audit Committee, for subsequent confirmation and approval by the Board of Directors and finally the Stockholders.

b) Risk Management. In the same way, the Board's Risk Management Committee, with the assistance of management's Risk Management Office and its Chief Risk Officer, reviews and recommends the Bank's enterprise risk and capital management framework to ensure that it conforms not only to the Bank's own rigorous standards, but also to Bangko Sentral directives promoting an effective Internal Capital Adequacy Assessment Process. The Chief Risk Officer is appointed by the Risk Management Committee, with approval and confirmation of the Board. The CRO is responsible for leading the formulation of risk management policies, methodologies, and metrics in alignment with the overall strategy of the Bank, ensuring that risks are prudently and rationally undertaken and within the Bank's risk appetite, as well as commensurate and disciplined to maximize returns on capital. The CRO and the RMO facilitate risk management learning programs and promote best practices on an enterprise- wide basis. The RMC also assesses the annual performance of the Chief Risk Officer and risk management functions taking into account how it carried out its duties and responsibilities.

c) Compliance. Oversight of the management of the Bank's business risk and implementation of its compliance function is the responsibility of our Board of Directors, through the Audit Committee. At the management level, the compliance function is carried out by the Compliance Office, led by our Chief Compliance Officer (CCO). Designated by the Chairman of the Board, our CCO is not a member of the Board of Directors and has the rank of Senior Vice President. The CCO's qualifications are subject to the applicable provisions of the Manual of Regulations for Banks, particularly considering fit and proper criteria such as integrity/probity, competence, education, diligence, experience, and training. The CCO annually attends corporate governance training.

d) Strategy Process. The Bank's vision, mission, strategic objectives, key policies, and procedures for management of the company are clearly established and communicated down the line. The Board of Directors creates the framework within which the executive team, under the President and CEO, can lead the business and deliver the agreed strategy. The Board conducts a periodic review of the foregoing and has continuing oversight in its implementation. The management team articulates the agreed strategy in periodic planning exercises and distills business plans in formal budgets. Periodic performance reviews are conducted against budgets and past performance. Management acts in accordance with well- defined operating policies and procedures, and ensures accuracy and transparency of operational and financial reporting to protect the Bank's reputation for integrity and fair dealing. The management team strives to achieve accountability in revenue performance, efficiency in expenditure of resources, and high quality in delivery of services and achievement of customer satisfaction. Management is periodically reviewed and rewarded according to performance relative to innovation, initiatives, assigned targets, and feedback from customers, peers, and Board. The President heads a management team who lead supervise work of the Bank's business units, which includes but is not limited to the Chief Finance Officer, Chief Risk Officer, Chief Audit Executive, and Chief Compliance Officer who provide focused and strategic, functional leadership and expertise. Management level committees are in place to deal with operational functions from a strategic level and serve as counterpoints to senior and mid-level managers.

IV. Corporate Governance Policies and Practices

a) Manual on Corporate Governance. The Bank has a Manual on Corporate Governance which documents the framework of policies, rules, systems, and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to stockholders and other stakeholders. A certification on the Bank's full compliance with the Manual, signed and issued by the Chief Compliance Officer, is posted on the Corporate Governance section of the company website. The Manual on Corporate Governance, reviewed annually, was last amended in January 2024. When updated or amended, the Manual is resubmitted to the SEC. The Manual is also posted on the company website.

b) Code of Conduct. BPI has Codes of Business Conduct and Ethics for its directors, officers and employees that provide the key practices and behaviors derived from the BPI Credo and Core Values, that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in the Bank and in handling relationships with all stakeholders.

Employee Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all BPI employees at all levels, including officers, as are the core values embodied in the Bank's Credo. As no code could address every situation an employee may encounter, all employees, including officers, are required to follow both the spirit and the letter of the Code, its policies, and procedures. All BPI officers and employees must abide and fulfill their duty and personal responsibility to read, understand and comply with the Code.

Director's Code of Conduct. BPI has a Code of Conduct for its Board of Directors, adopted in September 2017, which applies to and is binding on all directors of the Bank. The Director's Code is intended to provide guidance to directors, whether executive, non-executive or independent, with policies on standards for conduct of the business of the Bank, the protection of the rights of the Bank and its stakeholders, maintaining BPI's reputation for integrity and fostering compliance with applicable laws and regulations. The Director's Code, therefore, sets forth policy in several basic areas that commonly require directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence and accountability.

Compliance with the Codes. All employees, including senior officers and directors, acknowledge annually through a Statement of Affirmation that they have read and understood the employee Code of Conduct and/or the Director's Code, respectively, as well as the Manual on Corporate Governance, and fully comply and adhere to principles, standards and policies therein.

c) Conflict of Interest. BPI does not tolerate those who place their interest above that of our institution, our clients, or our business partners. We have in place standards on conflict-of- interest that elevate the interest of the Bank above that of the personal interests of Directors, officers, and employees. These standards prohibit Directors, officers, and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage. Our standards on conflict of interest expect all Directors, officers and employees to refrain from any conduct that could be viewed unfavorably by our clients, co-employees, competitors, suppliers, investors, regulators, or the public. The standards also require full cooperation and provision of complete and accurate information from employees during government, regulatory or internal enquiries, investigations, and audits. The standards also cover specific conflict-of-interest situations such as receipt of gifts from third parties, respect for trade secrets, and use of non-public information, and use of company funds, assets and information.

d) Whistleblower Policy. This policy covers all employees of BPI and all wrongful acts that adversely impact the Bank and its stakeholders. Under the policy, all personnel are responsible for complying with rules and regulations of the Bank and reporting or suspected violations in accordance with the policy. Anybody who knowingly aids, abets, or conceals or otherwise deliberately permits the commission of any irregular or fraudulent act directed against the Bank shall be considered as guilty as the principal perpetrators of the fraud or irregularity. Hence, all employees have a duty to cooperate with investigations initiated under the policy. No action will be taken against anyone for reporting such violations in good faith or participating or assisting in investigations of a suspected violation. Any act of retaliation against a whistleblower is a violation of the Whistleblower Policy and Code of Business Conduct and Ethics.

e) Related Party Transactions Policy. This policy guards against internal conflicts of interest between the company and/or its group and their directors, officers and significant shareholders and ensures that transactions such as loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses are made in the normal course of banking activities with terms and conditions that are generally comparable to those offered to nonrelated parties or to similar transactions in the market. Vetting transactions with related parties is done either by the board-level Related Party Transaction Committee (RPTC) or Management Vetting Committee (MVC), depending on materiality, prior to implementation. The two committees provide guidance and vet on credit and non-credit related party transactions of significant amounts (P50Mn and above for RPTC and below P50Mn for MVC). Related party transactions are properly disclosed in BPI's audited financial statements, and applicable fillings in accordance with relevant rules and issuances of SEC, BSP, etc.

f) Insider Trading Policy. This policy, in general, prohibits covered persons, i.e., directors, officers, employees of BPI and BPI's subsidiaries, and other parties who are considered to have knowledge, made aware of or have access to inside information or material non-public information, from buying or selling BPI stocks for their own personal account to benefit themselves or others, especially during the blackout trading period. All directors and senior management (SVP and up), Treasurer, Corporate Secretary and Assistant Corporate Secretary, are also required to report to the Compliance Office within ten (10) days from the end of each quarter their trades of shares of BPI stock during such quarter. In compliance with the SEC, all directors and senior management file within three (3) business days the required SEC Form 23A/B. Officers and directors are expected to comply with the Policy and to be knowledgeable of BPI's related policies, standards, or internal procedures such as on information barriers, which impact on compliance with the Insider Trading Policy. A breach of the Insider Trading Policy may result in internal disciplinary action and any violation of related securities laws may also subject the Bank and/or the director to civil liability and monetary penalties.

g) Anti-Bribery and Anti-Corruption Policy, Anti-Money Laundering and Financial Crime Policies. The Bank puts the highest premium on sound, responsible and effective corporate governance and does not tolerate bribery, corruption or improper payments of any kind. It advocates that Directors, officers and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing. Aligned with the Bank's commitment to act fairly and with integrity in all business dealings and relationships, the Anti-Bribery and Anti-Corruption Policy complements the BPI's financial crime policies/programs such as the Money Laundering and Terrorist Financing Prevention Program and Whistleblower Policy. Guidance on the Bank's Anti-Corruption and Anti-Bribery program is supplemented by the Bank's Standards on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts. Monitoring and compliance with the Code of Conduct and related policies are undertaken by departments or units of the Bank such as Human Resources and Corporate Governance, Compliance Division.

h) Data Privacy Policy. BPI has a strong Data Privacy Policy in place, which complies with the requirements of the Data Privacy Act and the National Privacy Commission (NPC). BPI's Data Privacy Policy, posted on the company website, is supported by a comprehensive program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer (DPO), a lead senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks consistent with Data Privacy Act rules and regulations, issuances by the NPC and other applicable laws. Management has also appointed Compliance Officers for Privacy for major business units of the Bank.

i) Employee Welfare, Health and Safety. Having engaged and competent employees is BPI's goal for delivering best-in-class customer experiences and for achieving its vision of being recognized as the most trusted partner and financial advisor. The Bank strives to be an employer of choice among Philippine financial institutions. We have a wide array of training and development programs and activities designed along the Bank's business objectives, aimed at honing the skills and capabilities of our employees in carrying out their daily duties, as well as preparing them to assume higher responsibilities as the next leaders of the organization. The Bank has adopted a compensation policy that it believes is competitive with industry standards in the Philippines. Regular employees are provided with a comprehensive pay and benefits package, which is reviewed periodically and adjusted to retain current employees and attract new talent. Tied to this is a performance management system that calls for the alignment of individual key results, competencies, and development plans with the Bank's overall business targets and strategy. Officers and employees undergo regular performance evaluations based on their individual accomplishments as well as that of the business unit or the Bank. The Bank has an Executive Stock Purchase Plan (ESPP), a major initiative under its long-term incentive program, which aligns management's interest with shareholders and the long-term prospects of the Bank. Moreover, we strive to provide a safe, secure, and conducive working environment for our employees, to continually safeguard their health and rights and provide equal opportunity for everyone to realize their fullest potential and make them agents of uplifting change for their communities. (Recommendation 2.9 of the SEC CG Code for PLCs)

V. **Investor Relations, Continuous Disclosure and Transparency**

a) Investor Relations. Through its Investor Relations Office, the Bank employs a program of proactive, uniform, appropriate and timely communication, and reporting, in the spirit of full disclosure and in compliance with the Securities Regulation Code and Bangko Sentral, SEC and PSE rules, regulations and disclosure guidelines. The Bank provides company presentations in the Annual Stockholders Meeting and conducts analysts and media or press briefings apart from maintaining the relevant disclosures on its website. The Board has a policy of continuous disclosure and transparency and commits at all times to fully disclose all material information about the company for the benefit of the stockholder and other stakeholders. Such information includes earnings results, materially significant acquisition or disposal of assets, board changes, related party transactions which are not in the ordinary course of business, shareholding of directors and major changes to ownership/voting rights, group structures, intra- group relations, ownership data, and beneficial ownership. As a listed company, BPI files structured and unstructured disclosures through the appropriate Exchange mechanisms for listed companies and submits mandated regulatory reports to the SEC. The Bank also maintains an official company website in accordance with the SEC-prescribed format and template to ensure a comprehensive, cost-efficient, transparent, timely manner of disseminating relevant information to the public. BPI also maintains official company sites on social media-based platforms.

b) Annual Stockholders Meeting (ASM). The ASM is held annually and is organized in an easy to reach and cost-efficient venue and location in Metro Manila. The ASM allows shareholders to advise and adopt resolutions on important matters affecting the Bank, such as: ratification of all acts and resolutions of the Board of Directors and Management, approval of the annual report of the President and Bank's statement of condition, amendments to the Articles of Incorporation or By-Laws, election of Board of Directors and external auditor as well as measures to amend the shareholders' equity. In 2023, the Annual Stockholders meeting was conducted virtually via http://www.ayalagroupshareholders.com/. Shareholders intending to participate by remote communication were requested to notify the Bank by email to bpi-asm@bpi.com.ph.

Notice of the ASM. The Notice is sent to shareholders well before the meeting date to allow shareholders to review the meeting's agenda and provide shareholders with sufficient information regarding issues to be decided at the meeting; the Definitive Information Statement, or SEC Form 20-IS is issued in accordance with BPI's Amended By-Laws and SRC 20. In 2023, the Notice was sent out to stockholders of record by March 10, 2023, 27 days before the ASM.

Voting and Voting Results. All items in the agenda requiring stockholder approval need the affirmative vote of at least a majority of the issued and outstanding voting stock. Stockholders may vote in person or in absentia by proxy executed in writing by the stockholder or by a duly authorized attorney-in-fact. In its meeting held on February 15, 2023, the Board approved Management's recommendations for BPI to provide the Bank's stockholders with the option to vote in absentia in the 2023 ASM. Hence, at the April 27, 2023, ASM, stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code. Voting is considered in a poll, by shares of stock, that is, one share entitles the holder to one vote. Cumulative voting as provided for in the Corporation Code may be applied in the election of the Board of Directors and directors are elected individually. The Rules of Conduct, voting and vote tabulation procedures are likewise explained during the meeting. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results. Voting results are disclosed on PSE EDGE and the company's website.

Shareholder Participation. BPI proactively encourages the full participation of all shareholders, including institutional shareholders, at the ASM each year. Shareholders are encouraged to ask questions at the ASM to ensure accountability and identification with the Board of Directors' and Management's strategy and goals for the business of BPI.

Minutes of the Annual Stockholders' Meeting. The Minutes of the ASM includes all information pertinent to the meeting and is promptly disclosed on the company website within the period mandated by the SEC. Minutes of the 2023 ASM were likewise posted on the company website within five (5) calendar days from the date of the ASM.

c) Annual and Quarterly Reports. The Bank's Annual, Quarterly and Current Reports are its primary disclosure mechanisms used to impart knowledge about the Bank to all its stakeholders in an informative, structured and cost-effective manner. The Annual and Quarterly accountability reports effectively detail its performance during the period under review and put that performance in context of the objectives of the Bank, its strategies and future direction. The Current Reports similarly provide timely updates on significant corporate actions undertaken by the Bank. The Annual, Quarterly and Current Reports are regularly submitted to the SEC pursuant to Section 17 of the SRC, which also prescribes format and content. These Reports are also disclosed on the websites of the various exchanges where BPI capital market issues are traded and on the company's website. These may also be viewed at www.bpi.com.ph.

VI. Sustainability, Stakeholder Engagement and ESG Reporting

a) Sustainability and Stakeholder Engagement

The Bank operates on a sustainability framework of shared values which emphasizes the importance of all stakeholders and how their interests are integrated into the business of BPI. Stakeholder engagement takes on various forms and is carried out through a range of information, communication, and consultative activities and disclosures.

For employees: safeguarding and ensuring health and safety in the workplace; provisioning for flexible work tools and work arrangements; setting-up learning and development programs; providing short and long-term, merit-based performance incentive mechanisms and employee benefit programs.

For communities: extending credit and financial services to underserved and unbanked sectors; providing financial literacy and capacity building educational programs; integrating ESG considerations which affects local communities in credit assessment practices prior to loan approval and disbursement; factoring ESG into business and risk models, products and services, as well as day-to-day operations; holding Corporate Social Responsibility (CSR) initiatives centered on financial literacy, enterprise development and livelihood, and disaster recovery.

For clients: supporting nation-building through sustainable development financing as well as financial inclusion initiatives; providing financial wellness educational programs; ensuring financial consumer protection and data privacy in accessing products and services; expanding means by which products and services can be accessed (e.g. traditional brick-and-mortar branches, digital platforms, and agency banking partners)

For suppliers: setting up a supplier policy based on the principle of business transparency and fair competition; providing equal opportunities for qualified suppliers and contractors while ensuring a sustainable supply chain observing good governance practices.

For creditors: ensuring counterparties are protected by fairness, accountability, and transparency; policies and procedures are in place for safeguarding creditor's rights as required by the BSP.

b) Environmental, Social and Governance Reporting

Our ESG performance evaluation and management discussions are likewise disclosed regularly, primarily through the annual publication of the Integrated Report as well as periodic and special updates of the BPI website. Sustainability disclosures are in accordance with the Integrated Reporting <IR> Framework, Global Reporting Initiative (GRI) Standards, and Sustainability Accounting Standards Board (SASB) Standards for Commercial Banks. Disclosures recommended by the Task Force for Climate-Related Financial Disclosures (TCFD) are still included in BPI's 2023 Integrated Report, following the discontinuation of the Task Force last October 2023. As in previous years, an external assurance provider has been engaged for the ESG disclosures in our integrated report. A copy of the latest BPI Integrated Report is available for download from the BPI website (www.bpi.com.ph).

VII. Corporate Governance Awards and Recognition

In 2023, BPI was a recipient of the ICD's Golden Arrow Award as a Top Performing Company in the domestic assessment of the ACGS.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. Exhibits

Securities Regulation Code Forms

(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
(4)	(A) Articles of Incorporation	NA
	(B) By-laws	NA
(5)	Instruments Defining the Rights of Security Holders, including indentures	NA
(6)	Opinion re: Legality	NA
(7)	Opinion re: Tax Matters	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders	NA
(11)	Material Foreign Patents	NA
(12)	Letter re: Unaudited Interim Financial Information	NA
(13)	Letter re: Change in Certifying Accountant	NA
(14)	Letter re: Director Resignation	NA
(15)	Letter re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrants	NA
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	(A) Power of Attorney	NA
	(B) Power of Attorney-Foreign Registrant	NA
(22)	Statement of Eligibility of Trustee	NA
(23)	Exhibits to be filed with Commercial Papers/Bonds Issues	NA
(24)	Exhibits to be filed with Stock Options Issues	NA
(25)	Exhibits to be filed by Investment Companies	NA
(26)	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of the BOI Certificate for BOI Registered Companies	NA
(28)	Authorization re: Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA
	Financial Indicators	Exhibit A
	Sch. A – Financial Assets	Exhibit A
	Sch. B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	Exhibit A
	Sch. C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Exhibit A
	Sch. D - Long-Term Debt	Exhibit A
	Sch. E – Indebtedness to Related Parties	Exhibit A
	Sch. F – Guarantees of Securities of Other Issuers	Exhibit A
	Sch. G – Capital Stock	Exhibit A
	List of Subsidiaries	Exhibit B
	Top 20 Shareholders	Exhibit C
	Statistical Report by Sharelots as of December 31, 2023	Exhibit D

b. Reports on SEC Form 17-C

Items reported under SEC Form 17-C in 2023:

(1) Signing on 26 January 2023 of Supplement to the Merger Agreement and the Plan and Articles of Merger between Robinsons Bank Corporation (RBC) and Bank of the Philippine Islands (BPI). The Merger was approved by the BPI Board on 30 September 2022, and by stockholders representing at least two-thirds of the total outstanding shares on 17 January 2023.

(2) Approval of the Board on March 15, 2023, of the declaration of property dividends consisting of 406,179,276 common shares of BPI held in treasury, to be distributed to all eligible stockholders of BPI as of record date of March 29, 2023, which property dividends shall be paid at a future date to be determined by the management of BPI, subject to regulatory approvals. The property dividend shall be paid at an entitlement ratio of 0.0896395563 common share for every one (1) common share of BPI held by the stockholder. Any resulting fractional share shall be paid in cash.

(3) On April 18, 2023, declaration of property dividend was amended to provide Supplement to BPI Property Dividend Distribution Guidelines and Advisory to Scripless Stockholders.

(4) Approval of the 2023 BPI Executive Stock Purchase Plan (“BPI ESPP” of “Program”) for qualified participants, with April 26, 2023, as grant date.

(5) Declaration of cash dividend of One Peso and Sixty-Eight Centavos (Php 1.68) per share for the first semester of 2023, on the total outstanding common shares of the capital stock of BPI. The record date is May 31, 2023, and payment date is June 22, 2023.

(6) Approval of SEC of Property Dividends

(7) Payment Date for Property Dividend and Reimbursement of Property Dividend Tax

(8) Disclosure on Final Cross Date of Property Dividend Distribution, which is 16 June 2023, Cross Price and Fair Market Value for the transfer of the Property Dividend through the Exchange is P105.00 per share. Fair Market Value which shall be used for the purpose of determining the final withholding tax on the Property Dividend shares due to the BIR is P105 per share.

(9) Disclosure on 21 June 2023 on the Update on the Property Dividend Tax Reimbursement

(10) Clearance by the Philippine Competition Commission on September 2023, of the proposed merger between the BPI and Robinsons Bank Corporation.

(11) Declaration of cash dividend of One Peso and Sixty-Eight Centavos (P1.68) per share, for the second semester of the year 2023, on the total outstanding common shares of the capital stock of BPI. The record date is November 30, 2023, and payment date is December 22, 2023.

(12) Election by the Board of Directors of Mr. Fernando Zobel de Ayala as Board of Director, replacing Mr. Romeo L. Bernardo who had resigned effective 12 September 2023 in view of his appointment to the Monetary Board.

(13) Update on 06 September 2023 of the date of execution of the Plan of Merger and Articles of Merger on the proposed merger of Bank of the Philippine Islands (BPI) and Robinsons Bank Corporation (RBC)

(14) Approval of BSP in its Monetary Board Resolution dated 14 December 2023 of the merger between Bank of the Philippine Islands (“BPI”) and Robinsons Bank Corporation, with BPI as the surviving bank.

(15) Approval of SEC on 29 December 2023 of the merger between BPI and RBC, with BPI as the surviving bank, as well as the amendments to Article Seventh of BPI’s Amended Articles of Incorporation.

Items reported under SEC Form 17-C in 2024:

(1) Closing and effectivity of the merger between BPI and Robinsons Bank Corporation, with BPI as the surviving bank. All corporate and regulatory approvals have been obtained, and RBC and BPI merged, effective 1 January 2024.

(2) On March 19, 2024, BPI successfully tapped the international capital markets with a public USD bond issuance for the first time since 2019, with its offering of US$400 million 5-year Reg S senior unsecured notes. The Notes were issued under BPI's US$3 billion Medium Term Notes Programme, and the proceeds will be used for refinancing and general corporate purposes. The 5-year Notes were priced at U.S. Treasury spread of T+105 basis points (bps) with a coupon of 5.25%, representing the tightest ever spread on a 5-year bond from a non-sovereign Philippine issuer, adding another milestone to BPI's long list of achievements.

(3) On March 20, 2024, the Board of Directors of BPI approved the sale of its 752,056,290 common shares, representing all its stake in GoTyme Bank, to GoTyme Financial Pte Ltd. (744,099,587 common shares) and Giga Investment Holdings Pte. Ltd., (7,956,703 common shares), respectively, at Php1.20 per share, subject to BSP approval. The shares of BPI in GoTyme Bank were acquired by BPI pursuant to the merger between BPI and Robinsons Bank Corporation with BPI as the surviving bank. On 1 April 2024, Deeds of Absolute Sale of Shares covering the abovementioned sale of GoTyme Bank shares were signed by the authorized representatives of BPI.

Material Event/s and Uncertainties:

Other than the disclosure enumerated above, the Bank has nothing to report on the following:

a) Any known trends, demands, commitments, events, or uncertainties that will have a material impact on its liquidity.

b) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the bank with unconsolidated entities or other persons created during the reporting period.

d) Any material commitments for capital expenditures.

e) Any known trends, events or uncertainties that have had or that are expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f) Any significant elements of income or loss that did not arise from the Bank's continuing operations.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly notarized, in the City of Makati on APR 15, 2024.

BANK OF THE PHILIPPINE ISLANDS
Issuer

By:

JOSE TEODORO K. LIMCAOCO
President & Chief Executive Officer

ERIC ROBERTO M. LUCHANGCO
Senior Vice-President & Chief Finance Officer

EMMANUEL JESUS G. OSALVO
Senior Vice-President &
Head, Unibank Central Accounting

MARIA LOURDES P. GATMAYTAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 15 2024; affiant(s) exhibiting to me his/her ID Number, as follows:

NAME(S)	PASSPORT NO. / SSS NO.	DATE / PLACE OF ISSUE	VALID UNTIL
Jose Teodoro K. Limcaoco			
Eric Roberto M. Luchangco			
Emmanuel Jesus G. Osalvo			
Maria Lourdes P. Gatmaytan			

Doc. No. 337;
Page No. 69;
Book No. LV;
Series 2024.

ATTY. ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

Notarial DST pursuant to Sec. 61 of the TRAIN Act (amending Sec. 188 of the NIRC) affixed on Notary Public's copy.

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. M-056 until December 31, 2024
Roll of Attorneys No. 37041
Lifetime IBP No. 02163 – RSM Chapter
PTR No. 10075604 – 01/02/2024 - Makati City
MCLE Compliance No. VIII – 0000591 – 09/30/2022
4th Floor Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

EXHIBIT A

(Audited Financial Statements)

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 000-438-366-000
Name	: BANK OF THE PHILIPPINE ISLANDS
RDO	: 125
Form Type	: 1702
Reference No.	: 462400059137605
Amount Payable (Over Remittance)	: 489,344,729.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2023
Date Filed	: 04/12/2024
Tax Type	: IT

Proceed to Payment

For BIR Use Only BCS/ Item

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT** January 2018(ENCS) Page 1

Annual Income Tax Return

Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate

Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two copies MUST be filled with the BIR and one held by the taxpayers.

1702-RT 01/18ENCS P1

1 For (●) Calendar ( ) Fiscal
2 Year Ended (MM/20YY) 12 - December 20 23

3 Amended Return? ( ) Yes (●) No

4 Short Period Return ( ) Yes (●) No

5 Alphanumeric Tax Code (ATC)
( ) IC 055–Minimum Corporate Income Tax (MCIT)
(●) IC010 - CORPORATION IN GENERAL - JAN 1, 2009

Part I - Background Information

6 Tax Identification Number (TIN) 000 - 438 - 366 - 00000

7 RDO Code 125

8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)*
BANK OF THE PHILIPPINE ISLANDS

9 Registered Address *(Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)*
AYALA TRIANGLE GARDEN TOWER 2 PASEO DE ROXAS COR MAKATI AVE SALCEDO VILLAGE BEL-AIR MAKATI CITY

9A ZIP Code 1223

10 Date of Incorporation/Organization *(MM/DD/YYYY)* 05/25/1977

11 Contact Number 86636546

12 Email Address EJGOSALVO@BPI.COM.PH

13 Method of Deductions (●) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended]

Part II - Total Tax Payable

(Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

14 Tax Due	8,071,453,619
15 Less: Total Tax Credits/Payments	7,582,108,890
16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15)*	489,344,729
Add: Penalties	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties *(Sum of Items 17 to 19)*	0
21 TOTAL AMOUNT PAYABLE (Overpayment) *(Sum of Items 16 and 20)*	489,344,729

If Overpayment, mark one(1) box only *(Once the choice is made, the same is irrevocable)*
( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) ( ) To be carried over as a tax credit for next year/quarter

We declare under the penalties of perjury that this return, and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If signed by an Authorized Representative, indicate TIN and attach authorization letter)

JOSE TEODORO K. LIMCAOCO
Signature over Printed Name of President/Principal Officer/Authorized Representative

Title of Signatory PRESIDENT TIN

ERIC M. LUCHANGCO
Signature over Printed Name of Treasurer/Assistant Treasurer

Title of Signatory CHIEF FINANCIAL OFFICER

22 Number of Attachments 000

Part III - Details of Payment

Particulars	Drawee Bank/ Agency	Number	Date(MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others *(Specify Below)*				
				0

Machine Validation/Revenue Official Receipt Details *[if not filed with an Authorized Agent Bank(AAB)]*

Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					P	W	-	1	2	1

Company Name

BANK OF THE PHILIPPINE ISLANDS

Principal Office (No./Street/Barangay/City/Town/Province)

22/F-28/F AYALA TRIANGLE
GARDENS TOWER 2, PASEO DE
ROXAS COR. MAKATI AVE.,
BEL-AIR, MAKATI CITY 1226

Form Type	Department requiring the report	Secondary License Type, if applicable
AAFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number
corporate.secretary@bpi.com.ph	8663-6525	+639958726360

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
11,760	04/27	December 31

CONTACT PERSON INFORMATION
The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number(s)	Mobile Number
Eric Roberto M. Luchangco	emluchangco@bpi.com.ph	8663-6740	N/A

Contact Person's Address

Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

BPI

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Jaime Augusto Zobel de Ayala
Chairman of the Board

Jose Teodoro K. Limcaoco
President and Chief Executive Officer

Eric Roberto M. Luchangco
Senior Vice President
and Chief Finance Officer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 1 2 2024, affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala	[illegible]	[illegible]	
Jose Teodoro K. Limcaoco	[illegible]		
Eric Roberto M. Luchangco	[illegible]		

Doc. No. 314;
Page No. 64;
Book No. I;
Series of 2024.

ATTY JOY ANN V. MEDIJA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-426 UNTIL DEC. 31, 2024
ROLL OF ATTY. NO. 64221
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VALID UNTIL APRIL 14, 2025
IBP NO. 399196; MAKATI; 01.04.2024
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28/F AYALA TRIANGLE GARDENS TOWER 2, MAKATI CITY

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Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards ("PFRSs").

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2023 and 2022;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated and parent financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the BPI Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated and parent financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances	
We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. As at December 31, 2023, the total allowance for impairment for loans and advances amounted to PHP57,474 million for the BPI Group and PHP55,049 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP3,940 million for the BPI Group and PHP2,164 million for the Parent Bank. Refer to Notes 10 and 26 of the financial statements for the details of the impairment losses on loans and advances. Provision for impairment losses on loans that are assessed to be individually credit impaired is determined in reference to the estimated future cash repayments and proceeds from the realization of collateral held by the BPI Group and the Parent Bank. For other loan accounts which are not individually credit impaired, these are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and the Parent Bank.	We assessed the design and tested the operating effectiveness of key controls over loan loss provisioning. These key controls included: • governance over the development, validation and approval of the BPI Group's ECL models to assess compliance with PFRS 9, including continuous re-assessment by the BPI Group that the impairment models are operating in a way which is appropriate for the credit risks in the BPI Group and the Parent Bank's loan portfolios; • review and approval of key judgments, assumptions and forward-looking information used in the ECL models; • review of data from source systems to the detailed ECL model analyses; • assessment of credit quality of loans and advances relative to the established internal credit risk rating system; • the review and approval process for the outputs of the impairment models; and • the review and approval process over the determination of credit risk rating, performance of credit reviews and calculation of required reserves for loans assessed as credit-impaired. Our work over the impairment of loans and advances included: • assessment of the methodology applied by the BPI Group and the Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9; • testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data. Our assessment included the involvement of our internal specialist.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
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(cont'd.)

Key elements in the impairment of loans and advances include:

- the identification of credit-impaired loans, and estimation of cash flows (including the expected realizable value of any collateral held) supporting the calculation of individually assessed provisions; and
- the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD).

The impairment losses include both quantitative and qualitative components. In calculating the loan loss provisioning, the BPI Group and the Parent Bank applied the expected credit loss (ECL) calculation and post-model adjustments as allowed by Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*, which is a complex process that takes into account forward-looking information reflecting the BPI Group and the Parent Bank's view on potential future economic events.

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- assessment of the appropriateness of the BPI Group's and the Parent Bank's definition of significant increase in credit risk and staging of accounts through analysis of historical trends and past credit behavior of loan portfolios;
- independent comparison of economic information used within, and weightings applied to, forward-looking scenarios in the ECL calculation which includes assumptions used in the post-model adjustments, against available macro-economic data;
- testing of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems;
- testing the accuracy and reasonableness of the outputs of the ECL models through independent recalculation;
- for a sample of individually assessed loans identified as credit-impaired, examined relevant supporting documents such as the latest financial information of the borrower or valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and
- recalculation of the loan loss allowance for selected accounts and portfolios at reporting date using the ECL methodology adopted by the BPI Group and the Parent Bank.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent financial statements, our responsibility is to read the other information identified above when these become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with PFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, management is responsible for assessing the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entities within the BPI Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BPI Group's and the Parent Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPI Group's and of the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the BPI Group and the Parent Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities within the BPI Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BPI Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the BPI Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 32 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 33 to the financial statements is presented for the purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of the BPI Group and the Parent Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is John-John Patrick V. Lim.

Isla Lipana & Co.

John-John Patrick Lim

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

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Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 21, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the BPI Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the BPI Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

John John Patrick Lim

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
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Makati City
February 21, 2024

pwc

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

We have audited the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 21, 2024. The supplementary information shown in the Reconciliation of the Parent Bank's Retained Earnings Available for Dividend Declaration, Map of the Conglomerate or Group of Companies within which the Bank of the Philippine Islands belongs effective as at December 31, 2023, as additional components required by Part I, Section 5 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

		Consolidated		Parent	
	Notes	**2023**	2022	**2023**	2022
A S S E T S					
CASH AND OTHER CASH ITEMS	4	**34,843**	39,613	**34,444**	39,359
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	4	**199,619**	182,869	**192,246**	178,534
DUE FROM OTHER BANKS	4	**36,292**	45,190	**33,081**	43,096
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	4,5	**20,643**	12,382	**17,342**	11,631
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**23,654**	22,133	**17,456**	16,941
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**218,654**	95,267	**214,183**	92,153
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**382,711**	420,533	**377,120**	415,035
LOANS AND ADVANCES, net	10	**1,882,007**	1,702,990	**1,849,840**	1,680,684
ASSETS HELD FOR SALE, net		**4,743**	3,760	**4,646**	3,650
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**19,751**	19,355	**18,401**	18,721
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**8,287**	7,227	**15,526**	15,406
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**19,067**	19,060	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**18,185**	16,752	**17,536**	16,356
OTHER ASSETS, net	14	**19,916**	16,830	**20,001**	16,103
Total assets		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(forward)

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BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**2,295,106**	2,096,001	**2,264,133**	2,082,584
DUE TO BSP AND OTHER BANKS		**1,881**	2,887	**1,881**	2,811
DERIVATIVE FINANCIAL LIABILITIES	7	**2,821**	4,297	**2,774**	4,253
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**137,104**	97,503	**133,726**	93,002
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**8,463**	6,755	**8,431**	6,751
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**14,973**	10,587	**13,543**	9,794
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**15,202**	14,919	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**53,452**	51,208	**51,031**	49,445
Total liabilities		**2,529,002**	2,284,157	**2,475,519**	2,248,640
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**49,307**	49,193	**49,307**	49,193
Share premium		**113,414**	104,123	**113,383**	104,123
Treasury shares		**-**	(33,043)	**-**	(33,043)
Reserves		**643**	644	**32,975**	33,055
Accumulated other comprehensive loss		**(11,127)**	(14,256)	**(9,076)**	(11,843)
Surplus		**204,967**	211,061	**149,714**	157,544
		357,204	317,722	**336,303**	299,029
NON-CONTROLLING INTERESTS		**2,166**	2,082	**-**	-
Total capital funds		**359,370**	319,804	**336,303**	299,029
Total liabilities and capital funds		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
INTEREST INCOME							
On loans and advances		**120,900**	84,909	72,225	**114,050**	80,724	53,426
On investment securities		**21,737**	16,863	10,436	**21,466**	16,683	9,949
On deposits with BSP and other banks		**2,935**	1,496	1,956	**2,460**	1,385	1,271
		145,572	103,268	84,617	**137,976**	98,792	64,646
INTEREST EXPENSE							
On deposits	15	**36,027**	14,821	10,168	**34,934**	14,711	5,587
On bills payable and other borrowed funds	16	**5,195**	3,381	4,866	**4,956**	3,273	4,396
		41,222	18,202	15,034	**39,890**	17,984	9,983
NET INTEREST INCOME		**104,350**	85,066	69,583	**98,086**	80,808	54,663
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**100,350**	75,899	56,448	**95,884**	72,371	44,072
OTHER INCOME							
Fees and commissions	19	**12,717**	11,339	11,204	**11,166**	9,516	9,051
Income from foreign exchange trading		**3,223**	2,617	2,384	**3,205**	2,511	2,206
Securities trading gain		**1,919**	857	97	**1,827**	831	4
Income attributable to insurance operations	2	**1,843**	1,379	1,854	**-**	-	-
Net gains on disposals of investment securities at amortized cost	9	**2**	214	1,513	**2**	214	1,166
Other operating income	19	**14,267**	17,053	10,770	**12,741**	14,565	13,026
		33,971	33,459	27,822	**28,941**	27,637	25,453
OTHER EXPENSES							
Compensation and fringe benefits	21	**23,221**	19,528	18,528	**20,310**	17,407	14,094
Occupancy and equipment-related expenses	11,20	**22,012**	18,761	16,010	**20,139**	17,124	13,352
Other operating expenses	21	**23,877**	19,701	16,195	**22,142**	18,195	12,220
		69,110	57,990	50,733	**62,591**	52,726	39,666
PROFIT BEFORE INCOME TAX		**65,211**	51,368	33,537	**62,234**	47,282	29,859
INCOME TAX EXPENSE	22						
Current		**13,934**	12,438	8,328	**12,600**	11,226	6,701
Deferred	13	**(635)**	(906)	1,099	**(419)**	(943)	375
		13,299	11,532	9,427	**12,181**	10,283	7,076
NET INCOME AFTER TAX		**51,912**	39,836	24,110	**50,053**	36,999	22,783
Attributable to:							
Equity holders of BPI		**51,687**	39,605	23,880	**50,053**	36,999	22,783
Non-controlling interests		**225**	231	230	**-**	-	-
		51,912	39,836	24,110	**50,053**	36,999	22,783
Basic and diluted earnings per share attributable to the equity holders of BPI during the year	18	**10.90**	8.78	5.29	**10.56**	8.20	5.05

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Note	**2023**	2022	2021	**2023**	2022	2021
NET INCOME FOR THE YEAR		**51,912**	39,836	24,110	**50,053**	36,999	22,783
OTHER COMPREHENSIVE INCOME (LOSS)	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive income (loss) of associates		**405**	(1,015)	(728)	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**556**	(1,525)	(548)	**546**	(1,480)	(506)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**90**	(225)	(209)	**-**	-	-
Currency translation differences and others		**(54)**	(65)	627	**-**	-	291
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**(2,476)**	(8)	608	**(2,395)**	120	431
Share in other comprehensive income of associates		**49**	687	448	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**4,609**	(3,503)	(3,041)	**4,616**	(3,658)	(2,753)
Total other comprehensive income (loss), net of tax effect		**3,179**	(5,654)	(2,843)	**2,767**	(5,018)	(2,537)
Total comprehensive income for the year		**55,091**	34,182	21,267	**52,820**	31,981	20,246
Attributable to:							
Equity holders of BPI		**54,816**	34,019	21,109	**52,820**	31,981	20,246
Non-controlling interests		**275**	163	158	**-**	-	-
		55,091	34,182	21,267	**52,820**	31,981	20,246

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 18)								
Consolidated	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total	Non-controlling interests	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	416	(5,899)	165,509	279,835	2,122	281,957
Comprehensive income									
Net income for the year	-	-	-	-	-	23,880	23,880	230	24,110
Other comprehensive loss for the year	-	-	-	-	(2,771)	-	(2,771)	(72)	(2,843)
Total comprehensive income (loss) for the year	-	-	-	-	(2,771)	23,880	21,109	158	21,267
Transactions with owners									
Exercise of stock option plans	86	170	-	(41)	-	-	215	-	215
Cash dividends	-	-	-	-	-	(8,124)	(8,124)	(184)	(8,308)
Total transactions with owners	86	170	-	(41)	-	(8,124)	(7,909)	(184)	(8,093)
Other movements									
Transfer from surplus to reserves	-	-	-	189	-	(189)	-	-	-
Others	-	-	-	-	-	25	25	-	25
Total other movements	-	-	-	189	-	(164)	25	-	25
Balance, December 31, 2021	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the year	-	-	-	-	-	39,605	39,605	231	39,836
Other comprehensive loss for the year	-	-	-	-	(5,586)	-	(5,586)	(68)	(5,654)
Total comprehensive income (loss) for the year	-	-	-	-	(5,586)	39,605	34,019	163	34,182
Transactions with owners									
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-	-
Executive stock plan amortization	-	208	-	(8)	-	-	200	-	200
Cash dividends	-	-	-	-	-	(9,568)	(9,568)	(177)	(9,745)
Total transaction with owners	4,062	29,189	(33,043)	(8)	-	(9,568)	(9,368)	(177)	(9,545)
Other movements									
Transfer from surplus to reserves	-	-	-	73	-	(73)	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	-	2	-	-	-
Others	-	-	-	17	-	(6)	11	-	11
Total other movements	-	-	-	88	-	(77)	11	-	11
Balance, December 31, 2022	49,193	104,123	(33,043)	644	(14,256)	211,061	317,722	2,082	319,804
Comprehensive income									
Net income for the year	-	-	-	-	-	51,687	51,687	225	51,912
Other comprehensive income for the year	-	-	-	-	3,129	-	3,129	50	3,179
Total comprehensive income for the year	-	-	-	-	3,129	51,687	54,816	275	55,091
Transactions with owners									
Executive stock plan exercise and amortization	114	342	-	(84)	-	-	372	-	372
Cash dividends	-	-	-	-	-	(15,934)	(15,934)	(191)	(16,125)
Dividends - treasury shares	-	8,949	33,043	-	-	(42,364)	(372)	-	(372)
Total transaction with owners	114	9,291	33,043	(84)	-	(58,298)	(15,934)	(191)	(16,125)
Other movements									
Transfer from surplus to reserves	-	-	-	13	-	(13)	-	-	-
Others	-	-	-	70	-	530	600	-	600
Total other movements	-	-	-	83	-	517	600	-	600
Balance, December 31, 2023	**49,307**	**113,414**	**-**	**643**	**(11,127)**	**204,967**	**357,204**	**2,166**	**359,370**

(The notes on pages 1 to 116 are an integral part of the financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

Parent (Note 18)	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	196	(4,288)	115,453	231,170
Comprehensive income							
Net income for the year	-	-	-	-	-	22,783	22,783
Other comprehensive loss for the year	-	-	-	-	(2,537)	-	(2,537)
Total comprehensive income (loss) for the year	-	-	-	-	(2,537)	22,783	20,246
Transactions with owners							
Exercise of stock option plans	86	170	-	(36)	-	-	220
Cash dividends	-	-	-	-	-	(8,124)	(8,124)
Total transactions with owners	86	170	-	(36)	-	(8,124)	(7,904)
Other movements	-	-	-	-	-	(12)	(12)
	86	170		(36)	-	(8,136)	(7,916)
Balance, December 31, 2021	45,131	74,934	-	160	(6,825)	130,100	243,500
Comprehensive income							
Net income for the year	-	-	-	-	-	36,999	36,999
Other comprehensive loss for the year	-	-		-	(5,018)	-	(5,018)
Total comprehensive income (loss) for the year	-	-	-	-	(5,018)	36,999	31,981
Transactions with owners							
Issuance of shares	4,062	28,981	(33,043)	-	-	-	-
Executive stock plan amortization	-	208	-	(10)	-	-	198
Cash dividends	-	-	-	-	-	(9,568)	(9,568)
Total transactions with owners	4,062	29,189	(33,043)	(10)	-	(9,568)	(9,370)
Other movements	-	-	-	32,905	-	13	32,918
	4,062	29,189	(33,043)	32,895	-	(9,555)	23,548
Balance, December 31, 2022	49,193	104,123	(33,043)	33,055	(11,843)	157,544	299,029
Comprehensive income							
Net income for the year	-	-	-	-	-	50,053	50,053
Other comprehensive income for the year	-	-	-	-	2,767	-	2,767
Total comprehensive income for the year	-	-	-	-	2,767	50,053	52,820
Transactions with owners							
Executive stock plan exercise and amortization	114	342	-	(80)	-	-	376
Cash dividends	-	-	-	-	-	(15,934)	(15,934)
Dividends - treasury shares	-	8,918	33,043	-	-	(42,364)	(403)
Total transactions with owners	114	9,260	33,043	(80)	-	(58,298)	(15,961)
Other movements	-	-	-	-	-	415	415
	114	9,260	33,043	(80)	-	(57,883)	(15,546)
Balance, December 31, 2023	**49,307**	**113,383**	**-**	**32,975**	**(9,076)**	**149,714**	**336,303**

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax		**65,211**	51,368	33,537	**62,234**	47,282	29,859
Adjustments for:							
Impairment losses	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
Depreciation and amortization	11,14	**6,615**	5,445	6,249	**6,195**	4,871	5,213
Share in net income of associates	12	**(1,372)**	(1,055)	(1,086)	**-**	-	-
Dividend and other income	19	**(100)**	(60)	(30)	**(3,066)**	(1,810)	(6,939)
Share-based compensation	18	**(84)**	(8)	(41)	**(80)**	(11)	(36)
Profit from asset sold		**(139)**	(5,392)	-	**(126)**	(5,392)	-
Realized gain - investment securities		**(949)**	(189)	-	**(949)**	(189)	-
Interest income		**(145,572)**	(103,268)	(84,617)	**(137,976)**	(98,792)	(64,646)
Interest received		**142,013**	98,874	85,450	**134,880**	92,487	64,866
Interest expense		**41,543**	18,503	15,345	**40,171**	18,265	10,229
Interest paid		**(38,683)**	(17,238)	(15,352)	**(37,801)**	(17,061)	(10,214)
Decrease (increase) in:							
Interbank loans receivable and securities purchased under agreements to resell		**4,117**	(2,612)	(2,167)	**4,058**	(2,699)	(2,117)
Financial assets at fair value through profit or loss		**(1,455)**	(801)	16,134	**(450)**	(1,267)	18,548
Loans and advances, net		**(181,412)**	(231,573)	(82,837)	**(170,155)**	(221,575)	(68,754)
Assets held for sale		**(761)**	(914)	(355)	**(773)**	(927)	(168)
Assets attributable to insurance operations		**254**	(2,316)	450	**-**	-	-
Other assets		**(5,753)**	540	(4,046)	**(6,564)**	4,870	(4,556)
Increase (decrease) in:							
Deposit liabilities		**199,096**	140,855	238,976	**181,540**	132,034	205,581
Due to BSP and other banks		**(1,151)**	1,680	(232)	**(1,075)**	1,744	(371)
Manager's checks and demand drafts outstanding		**1,708**	(176)	(177)	**1,680**	(169)	(204)
Accrued taxes, interest and other expenses		**798**	1,382	(707)	**730**	1,133	(582)
Liabilities attributable to insurance operations		**306**	1,693	(1,290)	**-**	-	-
Derivative financial liabilities		**(1,476)**	665	(2,025)	**(1,479)**	708	(2,112)
Deferred credits and other liabilities		**213**	4,950	(337)	**353**	2,064	(1,735)
Net cash from (absorbed by) operations		**86,967**	(30,480)	213,977	**73,549**	(35,997)	182,453
Income taxes paid		**(14,004)**	(12,938)	(7,497)	**(12,712)**	(11,605)	(6,008)
Net cash from (used in) operating activities		**72,963**	(43,418)	206,480	**60,837**	(47,602)	176,445

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
(*forwarded*)							
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of bank premises, furniture, fixtures and equipment		**(4,778)**	(1,657)	(5,595)	**(4,578)**	(1,580)	(5,108)
Disposal of bank premises, furniture, fixtures and equipment		**2,144**	1,200	789	**2,127**	1,191	777
Placements in investment securities		**(248,565)**	(95,218)	(278,718)	**(247,299)**	(94,789)	(272,363)
Proceeds from:							
Maturities/sales of investment securities		**171,331**	49,008	176,833	**171,332**	49,008	158,047
Net gains on sale of investment properties		**-**	4,721	(12)	**-**	4,721	(14)
Decrease (increase) in:							
Investment in subsidiaries and associates, net		**769**	694	1,432	**(120)**	-	(4,516)
Assets attributable to insurance operations		**(270)**	474	804	**-**	-	-
Impact of merger	30.1	**-**	-	-	**-**	78,200	-
Dividends received		**100**	60	30	**3,066**	880	3,400
Net cash (used in) from investing activities		**(79,269)**	(40,718)	(104,437)	**(75,472)**	37,631	(119,777)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(16,125)**	(9,745)	(8,124)	**(15,934)**	(9,568)	(8,124)
Issuance cost of treasury shares as dividends	18	**(372)**	-	-	**(403)**	-	-
Proceeds from share issuance	18	**456**	208	256	**456**	208	256
Increase (decrease) in bills payable and other borrowed funds	16	**39,601**	2,464	(56,908)	**40,724**	868	(57,798)
Payments for principal portion of lease liabilities		**(1,892)**	(1,624)	(1,900)	**(1,652)**	(1,417)	(1,478)
Net cash from (used in) financing activities		**21,668**	(8,697)	(66,676)	**23,191**	(9,909)	(67,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,362**	(92,833)	35,367	**8,556**	(19,880)	(10,476)
CASH AND CASH EQUIVALENTS							
January 1	4,5	273,120	365,953	330,586	265,449	285,329	295,805
December 31		**288,482**	273,120	365,953	**274,005**	265,449	285,329

Non-cash financing and investing activities 11,16,18

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

Notes to Financial Statements
As at December 31, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023

1 General information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993.

The Parent Bank's office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution and insurance services. At December 31, 2023, the BPI Group has 18,982 employees (2022 - 17,573 employees) and operates 1,187 branches (2022 - 1,189 branches) and 1,530 automated teller machines (ATMs) and cash accept machines (CAMs) (2022 - 2,080) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation ("RBC") and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 30.3).

The merger between BPI and BPI Family Savings Bank, Inc. ("BFB"), a wholly-owned subsidiary, became effective on January 1, 2022 with the Parent Bank as the surviving entity (Note 30.1). The comparative figures presented in the financial statements and notes to financial statements pertaining to the Parent Bank for the year ended December 31, 2021 are exclusive of BFB balances.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 21, 2024.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2023	2022
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	Philippines	Banking	100	100
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	Philippines	Asset management	100	100
BPI International Finance Limited	Hong Kong	Financing	100	100
BPI Europe Plc.	England and Wales	Banking (deposit)	100	100
BPI Securities Corp.	Philippines	Securities dealer	100	100
BPI Payments Holdings Inc. (BPHI)	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Investment Management, Inc.	Philippines	Investment management	100	100
Santiago Land Development Corporation	Philippines	Land holding	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
BPI Wealth Singapore Pte Ltd	Singapore	Asset management	100	-
First Far East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
FEB Speed International	Philippines	Remittance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

2 Assets and liabilities attributable to insurance operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	Note	**2023**	2022
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	**193**	292
Insurance balances receivable, net		**6,111**	6,449
Investment securities			
Financial assets at fair value through profit or loss		**1,814**	1,771
Financial assets at fair value through other comprehensive income		**6,905**	6,618
Financial assets at amortized cost		**353**	267
Investment in associates		**167**	167
Accounts receivable and other assets, net		**3,378**	3,294
Land, building and equipment		**146**	202
		19,067	19,060

	2023	2022
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**13,240**	13,094
Accounts payable, accrued expenses and other payables	**1,962**	1,825
	15,202	14,919

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2023	2022	2021
	(In Millions of Pesos)		
Premiums earned and related income	**3,312**	3,016	3,071
Investment and other income	**1,675**	1,070	1,504
	4,987	4,086	4,575
Benefits, claims and maturities	**1,573**	1,280	1,502
Decrease in actuarial reserve liabilities	**(288)**	(336)	(486)
Commissions	**954**	924	856
Management and general expenses	**876**	811	817
Other expenses	**29**	28	32
	3,144	2,707	2,721
Income before income tax and minority interest	**1,843**	1,379	1,854

3 Business segments

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standards (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms for individual customers.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at December 31 and the results of the operations of the reportable segments of the BPI Group's for the years ended December 31 follow:

	2023			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	65,271	28,108	15,117	108,496
Provision for (reversal of) credit and impairment losses	7,711	(3,837)	140	4,014
Net interest income after provision for credit and impairment losses	57,560	31,945	14,977	104,482
Fees, commissions and other income, net	20,328	2,932	8,749	32,009
Total income	77,888	34,877	23,726	136,491
Compensation and fringe benefits	19,375	3,314	1,786	24,475
Occupancy and equipment-related expenses	10,144	1,089	865	12,098
Other operating expenses	26,485	4,082	3,221	33,788
Total other expenses	56,004	8,485	5,872	70,361
Operating profit	21,884	26,392	17,854	66,130
Income tax expense				13,299
Net income				51,912
Share in net income of associates				1,372
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

	2022			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	49,614	26,746	12,281	88,641
Provision for credit and impairment losses	2,808	6,326	25	9,159
Net interest income after provision for credit and impairment losses	46,806	20,420	12,256	79,482
Fees, commissions and other income, net	17,017	2,847	7,064	26,928
Total income	63,823	23,267	19,320	106,410
Compensation and fringe benefits	14,698	2,459	1,162	18,319
Occupancy and equipment-related expenses	5,471	115	646	6,232
Other operating expenses	25,215	3,211	1,484	29,910
Total other expenses	45,384	5,785	3,292	54,461
Operating profit	18,439	17,482	16,028	51,949
Income tax expense				11,532
Net income				39,836
Share in net income of associates				1,056
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

	2021			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	36,478	27,934	8,988	73,400
Provision for (reversal of) credit and impairment losses	3,157	10,118	(172)	13,103
Net interest income after provision for credit and impairment losses	33,321	17,816	9,160	60,297
Fees, commissions and other income, net	15,846	2,703	7,333	25,882
Total income	49,167	20,519	16,493	86,179
Compensation and fringe benefits	13,911	2,280	1,053	17,244
Occupancy and equipment-related expenses	5,988	112	472	6,572
Other operating expenses	20,075	3,295	1,566	24,936
Total other expenses	39,974	5,687	3,091	48,752
Operating profit	9,193	14,832	13,402	37,427
Income tax expense				9,427
Net income				24,110
Share in net income of associates				1,086
Total assets	495,878	1,205,841	679,536	2,381,255
Total liabilities	1,334,077	667,821	101,686	2,103,584

Reconciliation of segment results to consolidated results of operations:

	2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	108,496	(4,146)	104,350
Provision for credit and impairment losses	4,014	(14)	4,000
Net interest income after provision for credit and impairment losses	104,482	(4,132)	100,350
Fees, commissions and other income, net	32,009	1,962	33,971
Total income	136,491	(2,170)	134,321
Compensation and fringe benefits	24,475	(1,254)	23,221
Occupancy and equipment-related expenses	12,098	9,914	22,012
Other operating expenses	33,788	(9,911)	23,877
Total other expenses	70,361	(1,251)	69,110
Operating profit	66,130	(919)	65,211
Income tax expense	13,299		13,299
Net income	51,912		51,912
Share in net income of associates	1,372		1,372
Total assets	**2,867,080**	**21,292**	**2,888,372**
Total liabilities	**2,522,002**	**7,000**	**2,529,002**

	2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	88,641	(3,575)	85,066
Provision for credit and impairment losses	9,159	8	9,167
Net interest income after provision for credit and impairment losses	79,482	(3,583)	75,899
Fees, commissions and other income, net	26,928	6,531	33,459
Total income	106,410	2,948	109,358
Compensation and fringe benefits	18,319	1,209	19,528
Occupancy and equipment-related expenses	6,232	12,529	18,761
Other operating expenses	29,910	(10,209)	19,701
Total other expenses	54,461	3,529	57,990
Operating profit	51,949	(581)	51,368
Income tax expense	11,532		11,532
Net income	39,836		39,836
Share in net income of associates	1,056		1,056
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

	2021		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	73,400	(3,817)	69,583
Provision for credit and impairment losses	13,103	32	13,135
Net interest income after provision for credit and impairment losses	60,297	(3,849)	56,448
Fees, commissions and other income, net	25,882	1,940	27,822
Total income	86,179	(1,909)	84,270
Compensation and fringe benefits	17,244	1,284	18,528
Occupancy and equipment-related expenses	6,572	9,438	16,010
Other operating expenses	24,936	(8,741)	16,195
Total other expenses	48,752	1,981	50,733
Operating profit	37,427	(3,890)	33,537
Income tax expense	9,427		9,427
Net income	24,110		24,110
Share in net income of associates	1,086		1,086
Total assets	2,381,255	40,660	2,421,915
Total liabilities	2,103,584	23,175	2,126,759

"Consolidation adjustments/Others" pertain to amounts of insurance operations and support units and inter-segment elimination in accordance with the BPI Group's internal reporting.

4 Cash and cash equivalents

The account at December 31 consists of:

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Cash and other cash items		**34,843**	39,613	**34,444**	39,359
Due from BSP		**199,619**	182,869	**192,246**	178,534
Due from other banks		**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**17,535**	5,156	**14,234**	4,460
Cash and cash equivalents attributable to insurance operations	2	**193**	292	**-**	-
		288,482	273,120	**274,005**	265,449

5 Interbank loans receivable and SPAR, net

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
BSP	**15,177**	136	**11,982**	-
Other banks	**5,483**	12,259	**5,379**	11,645
	20,660	12,395	**17,361**	11,645
Accrued interest receivable	**26**	27	**24**	26
	20,686	12,422	**17,385**	11,671
Allowance for impairment	**(43)**	(40)	**(43)**	(40)
	20,643	12,382	**17,342**	11,631

As at December 31, 2023, interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P17,535 million (2022 - P5,156 million) for the BPI Group and P14,234 million (2022 - P4,460 million) for the Parent Bank are classified as cash equivalents in the statements of cash flows (Note 4).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates (%) of interbank loans receivable and SPAR for the years ended December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**4.75 - 8.50**	4.50 - 8.28	**4.75 - 8.50**	4.50 - 8.28
US dollar-denominated	**4.85 - 5.25**	3.13 - 4.29	**4.85 - 5.15**	4.05 - 4.18

6 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Debt securities					
Government securities		**15,928**	10,974	**13,654**	9,876
Commercial papers of private companies		**3,813**	3,820	**6**	30
Listed equity securities		**111**	192	**-**	-
Derivative financial assets	7	**3,802**	7,147	**3,796**	7,035
		23,654	22,133	**17,456**	16,941

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

7 Derivative financial instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.

- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.

- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.

- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

Consolidated

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**174**	411	**53**	52
Currency forwards	**1,309**	3,557	**1,262**	2,184
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
Equity options	**-**	10	**-**	-
	3,802	7,147	**2,821**	4,297

Parent

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**173**	411	**53**	52
Currency forwards	**1,304**	3,455	**1,215**	2,140
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
	3,796	7,035	**2,774**	4,253

In 2022, the Parent Bank began trading foreign exchange options as part of the BPI Group's strategy subsequent to the granting of Type 1 derivative license by the BSP in 2021. During the years ended December 31, 2023 and 2022, the BPI Group did not enter into any transactions under hedge accounting.

As at December 31, 2023, the Parent Bank has no derivative financial assets referenced to London Interbank Offered Rate (LIBOR) (2022 - P104,915 million). The Parent Bank has fully transitioned to LIBOR-fallback in accordance with the fallback protocol that the Parent Bank adhered to with International Swaps and Derivatives Association (ISDA).

Critical accounting estimate - Determination of fair value of derivatives and other financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

8 Financial assets at fair value through other comprehensive income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities				
Government securities	**191,506**	85,143	**188,459**	83,588
Commercial papers of private companies	**21,732**	6,701	**21,452**	6,294
	213,238	91,844	**209,911**	89,882
Accrued interest receivable	**2,542**	603	**2,531**	595
	215,780	92,447	**212,442**	90,477
Equity securities				
Listed	**1,266**	1,709	**1,043**	1,331
Unlisted	**1,608**	1,111	**698**	345
	2,874	2,820	**1,741**	1,676
	218,654	95,267	**214,183**	92,153

The BPI Group has designated a small portfolio of equity securities from listed and unlisted private corporations as financial assets at FVOCI. The BPI Group adopted this presentation as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Debt securities classified as financial assets at FVOCI are classified as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**40,551**	7,959	**38,990**	6,788
Non-current (over 12 months)	**175,229**	84,488	**173,452**	83,689
	215,780	92,447	**212,442**	90,477

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.20 - 8.57**	2.20 - 8.57	**2.20 - 8.57**	2.20 - 8.57
Foreign currency-denominated	**0.24 - 7.00**	0.15 - 6.10	**0.24 - 7.00**	0.15 - 6.10

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2023 amounts to P6,176 million (2022 - P1,987 million; 2021 - P2,473 million) and P6,060 million (2022 - P1,945 million; 2021 - P2,306 million) for the BPI Group and Parent Bank, respectively.

Dividend income from equity instruments recognized in the statement of income under other operating income for the year ended December 31, 2023 amounts to P100 million (2022 - P60 million; 2021 - P30 million) and P66 million (2022 - P36 million; 2021 - P16 million) for the BPI Group and Parent Bank, respectively (Note 19).

9 Investment securities at amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Government securities	**320,808**	338,323	**320,161**	337,661
Commercial papers of private companies	**58,326**	78,345	**53,448**	73,568
	379,134	416,668	**373,609**	411,229
Accrued interest receivable	**3,608**	3,876	**3,542**	3,817
	382,742	420,544	**377,151**	415,046
Allowance for impairment	**(31)**	(11)	**(31)**	(11)
	382,711	420,533	**377,120**	415,035

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.09 - 8.13**	2.00 - 8.13	**2.09 - 8.13**	2.00 - 8.13
Foreign currency-denominated	**0.13 - 7.32**	0.13 - 7.13	**0.80 - 6.07**	0.13 - 7.13

In 2023, the BPI Group and the Parent Bank sold close-to-maturity debt securities which resulted in a net gain of P2 million. In 2022, the BPI Group and the Parent Bank recognized a net gain on disposal of P214 million resulting from sale of an insignificant amount of debt securities. In 2021, the BPI Group and the Parent Bank recognized a net gain on derecognition of P1,513 million and P1,166 million, respectively, due mainly to its disposal of a portfolio of debt securities in response to an impending change in tax regulations and as part of disposal of the entire portfolio of investments securities at amortized cost of a significant subsidiary. Consistent with the allowed sales of investments under the hold-to-collect business model following the requirements of PFRS 9, Financial Instruments, and BSP Circular 708, the circumstances resulting in the disposals are deemed isolated and non-recurring events that are beyond the BPI Group's control and could not have been reasonably anticipated at the time that the business model has been established.

As at December 31, 2023, government securities aggregating P3.43 billion (2022 - P19.11 billion) are used as security for bills payable of the Parent Bank (Note 16).

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2023 amounts to P14,678 million (2022 - P14,514 million; 2021 - P7,657 million) and P14,549 million (2022 - P14,388 million; 2021 - P7,347 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**64,063**	41,813	**63,742**	41,918
Non-current (over 12 months)	**318,648**	378,720	**313,378**	373,117
	382,711	420,533	**377,120**	415,035

As at December 31, 2023, the Parent Bank has P6,459 million (2022 - P6,401 million) outstanding securities overlying securitization structures measured at amortized cost. The securities are held for collection of contractual cash flows until maturity and those cash flows represent solely payments of principal and interest.

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at FVOCI, at amortized cost, or at FVTPL. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at FVTPL.

10 Loans and advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	**1,446,426**	1,348,210	**1,442,251**	1,342,447
Small and medium enterprise	**79,097**	76,046	**79,093**	76,039
Retail loans				
Credit cards	**137,889**	99,680	**137,889**	99,680
Real estate mortgages	**171,495**	158,137	**170,321**	156,862
Auto loans	**71,896**	58,009	**71,895**	58,009
Others	**28,536**	16,675	**229**	225
	1,935,339	1,756,757	**1,901,678**	1,733,262
Accrued interest receivable	**12,943**	11,189	**12,006**	10,632
Unearned discount/income	**(8,801)**	(7,189)	**(8,795)**	(7,179)
	1,939,481	1,760,757	**1,904,889**	1,736,715
Allowance for impairment	**(57,474)**	(57,767)	**(55,049)**	(56,031)
	1,882,007	1,702,990	**1,849,840**	1,680,684

As at December 31, 2023 and 2022, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

As at December 31, 2023, the Parent Bank has no LIBOR referenced loans (2022 - P63,263 million). In 2023, the Parent Bank has fully transitioned these LIBOR referenced loans to the alternative reference rate adopted by the Parent Bank.

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**776,788**	678,738	**766,284**	669,478
Non-current (over 12 months)	**1,162,693**	1,082,019	**1,138,605**	1,067,237
	1,939,481	1,760,757	**1,904,889**	1,736,715

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Commercial loans				
Peso-denominated loans	**5.44 - 6.13**	4.15 - 5.24	**5.44 - 6.13**	4.16 - 5.24
Foreign currency-denominated loans	**5.80 - 6.63**	2.73 - 5.85	**5.80 - 6.63**	2.73 - 5.85
Real estate mortgages	**6.63 - 7.32**	6.11 - 7.03	**6.72 - 7.31**	6.09 - 7.02
Auto loans	**9.76 - 10.32**	9.54 - 10.01	**9.76 - 10.32**	9.54 - 10.01

Interest income from loans and advances for the year ended December 31, 2023 for the BPI Group and the Parent Bank amounts to P120,900 million (2022 - P84,909 million; 2021 - P72,225 million) and P114,050 million (2022 - P80,724 million; 2021 - P53,426 million), respectively.

Details of the loans and advances portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

11 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	31,087	16,400	**50,502**
Additions	-	3,523	2,954	**6,477**
Disposals	(30)	(330)	(2,946)	**(3,306)**
Transfers	-	(30)	(19)	**(49)**
Other changes	(2)	43	-	**41**
December 31, 2023	**2,983**	**34,293**	**16,389**	**53,665**
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	**31,147**
Depreciation and amortization	-	2,922	989	**3,911**
Disposals	-	(244)	(980)	**(1,224)**
Transfers	-	4	(8)	**(4)**
Other changes	-	84	-	**84**
December 31, 2023	**-**	**19,388**	**14,526**	**33,914**
Net book value, December 31, 2023	**2,983**	**14,905**	**1,863**	**19,751**

	2022			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2022	3,048	26,192	16,941	46,181
Additions	5	5,196	951	6,152
Disposals	(38)	(552)	(1,492)	(2,082)
Transfers	-	(6)	(2)	(8)
Other changes	-	257	2	259
December 31, 2022	3,015	31,087	16,400	50,502
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	28,656
Depreciation and amortization	-	3,054	938	3,992
Disposals	-	(391)	(1,243)	(1,634)
Transfers	-	(4)	(1)	(5)
Other changes	-	136	2	138
December 31, 2022	-	16,622	14,525	31,147
Net book value, December 31, 2022	3,015	14,465	1,875	19,355

Parent

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	28,880	15,693	**47,588**
Additions	-	3,167	2,870	**6,037**
Disposals	(30)	(294)	(2,936)	**(3,260)**
Transfers	-	(30)	-	**(30)**
Other changes	(3)	(749)	-	**(752)**
December 31, 2023	**2,982**	**30,974**	**15,627**	**49,583**
Accumulated depreciation				
January 1, 2023	-	14,934	13,933	**28,867**
Depreciation and amortization	-	2,567	928	**3,495**
Disposals	-	(209)	(974)	**(1,183)**
Transfers	-	3	-	**3**
Other changes	-	-	-	**-**
December 31, 2023	**-**	**17,295**	**13,887**	**31,182**
Net book value, December 31, 2023	**2,982**	**13,679**	**1,740**	**18,401**

	2022				
	Note	Land	Buildings and leasehold improvements	Furniture and equipment	Total
			(In Millions of Pesos)		
Cost					
December 31, 2021		2,703	22,461	14,914	40,078
Impact of merger	30.1	346	1,964	1,354	3,664
January 1, 2022		3,049	24,425	16,268	43,742
Additions		4	4,892	903	5,799
Disposals		(38)	(429)	(1,478)	(1,945)
Transfers		-	(6)	-	(6)
Other changes		-	(2)	-	(2)
December 31, 2022		3,015	28,880	15,693	47,588
Accumulated depreciation					
December 31, 2021		-	11,708	13,127	24,835
Impact of merger	30.1	-	760	1,190	1,950
January 1, 2022		-	12,468	14,317	26,785
Depreciation and amortization		-	2,743	850	3,593
Disposals		-	(272)	(1,234)	(1,506)
Transfers		-	(4)	-	(4)
Other changes		-	(1)	-	(1)
December 31, 2022		-	14,934	13,933	28,867
Net book value, December 31, 2022		3,015	13,946	1,760	18,721

As at December 31, 2023, the BPI Group has recognized construction-in-progress amounting to P1.45 billion (2022 - P914 million) in relation to the redevelopment of its main office.

In 2022, the Parent Bank entered into a contract of lease with Ayala Land, Inc., a related party, for the lease of an office unit at Ayala Triangle Gardens Tower 2. In 2023, the Parent Bank assigned a portion of its office unit to BPI Securities Corporation, BPI Capital Corporation and BPI Wealth, effective July 1, 2023.

Other changes pertain to additions and remeasurement of right-of-use assets due to lease modification, renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2023, the Parent Bank realized a gain of P420 million (2022 - P5,295 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

In 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income (Note 19). Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets (Note 14).

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The BPI Group determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The BPI Group annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

12 Investments in subsidiaries and associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**8,287**	7,227	**-**	-
Investments at cost method	**-**	-	**15,526**	15,406
	8,287	7,227	**15,526**	15,406

Investments in associates accounted for using the equity method in the consolidated statement of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2023	2022	**2023**	2022
		(in %)		(In Millions of Pesos)	
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	**49.00**	49.00	**1,342**	1,342
AF Payments, Inc. (AFPI)	Philippines	**20.00**	20.00	**1,060**	940
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	**47.96**	47.96	**389**	389
BPI Century Tokyo Lease and Finance Corporation	Philippines	**49.00**	49.00	**316**	316
Beacon Property Ventures, Inc.	Philippines	**20.00**	20.00	**72**	72
CityTrust Realty Corporation	Philippines	**40.00**	40.00	**2**	2
				3,181	3,061

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2023	2022
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**3,061**	3,061
Additions during the year	**120**	-
At December 31	**3,181**	3,061
Accumulated equity in net income		
At January 1	**4,437**	4,076
Share in net income for the year	**1,372**	1,055
Dividends received	**(889)**	(694)
At December 31	**4,920**	4,437
Accumulated share in other comprehensive income (loss)		
At January 1	**(131)**	168
Share in other comprehensive income (loss) for the year	**457**	(299)
At December 31	**326**	(131)
Allowance for impairment	**(140)**	(140)
	8,287	7,227

No associate is deemed individually significant for financial reporting purposes. Accordingly, the relevant unaudited financial information of associates as at and for the years ended December 31 are aggregated as follows:

	2023	2022
	(In Millions of Pesos)	
Total assets	**129,429**	127,610
Total liabilities	**111,601**	112,119
Total revenues	**24,198**	13,771
Total net income	**2,924**	1,925

The details of equity investments accounted for using the cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost		Allowance for impairment		Carrying value	
	2023	2022	**2023**	2022	**2023**	2022
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.	**7,180**	7,180	**-**	-	**7,180**	7,180
BPI Direct BanKo, Inc., A Savings Bank	**2,009**	2,009	**-**	-	**2,009**	2,009
BPI Wealth	**1,502**	1,502	**-**	-	**1,502**	1,502
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Payments Holdings Inc.	**813**	693	**(672)**	(672)	**141**	21
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI International Finance Limited	**143**	143	**-**	-	**143**	143
Santiago Land Development Corporation	**140**	140	**-**	-	**140**	140
BPI Remittance Centre (HK) Ltd.	**132**	132	**-**	-	**132**	132
First Far East Development Corporation	**91**	91	**-**	-	**91**	91
FEB Stock Brokers, Inc.	**25**	25	**-**	-	**25**	25
BPI Computer Systems Corp.	**23**	23	**-**	-	**23**	23
Others	**35**	35	**-**	-	**35**	35
Associates	**2,120**	2,120	**-**	-	**2,120**	2,120
	16,198	16,078	**(672)**	(672)	**15,526**	15,406

In 2023, the Parent Bank made additional capital infusions to BPHI amounting to P120 million.

In June 2023, BPI Wealth Singapore Pte. Ltd. was incorporated with the Accounting and Corporate Regulatory Authority of Singapore with BPI Parent as the sole owner of its share amounting to 1 SGD. As at December 31, 2023, the entity is non-operational and awaiting approval of its Capital Market Services license by the Monetary Authority of Singapore.

In 2021, the Parent Bank recognized an impairment loss of P60 million on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI. In computing for its recoverable amount, the Parent Bank used a discount rate of 13.08% in assessing its value in use, which amounts to P21 million. There are no changes in the allowance for impairment for the year ended December 31, 2023.

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

Critical accounting judgment and estimate - Impairment of investments in subsidiaries and associates

The BPI Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the BPI Group considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The BPI Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2023 and 2022 in its subsidiaries apart from BPHI.

For the 2023 and 2022 reporting periods, the recoverable amount of the subsidiary was determined based on the higher between fair value less cost to sell and value-in-use (VIU) calculations which require the use of assumptions. The VIU calculations use cash flow projections based on financial budgets approved by management.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the recoverable amount of the subsidiary.

13 Deferred income taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**15,277**	15,380	**14,607**	14,889
Pension liability	**2,499**	1,736	**2,419**	1,736
Provisions	**644**	480	**595**	434
Others	**(62)**	(63)	**24**	19
Total deferred income tax assets	**18,358**	17,533	**17,645**	17,078
Deferred income tax liabilities				
Unrealized gain on property appraisal	**(39)**	(394)	**(39)**	(394)
Others	**(134)**	(387)	**(70)**	(328)
Total deferred income tax liabilities	**(173)**	(781)	**(109)**	(722)
Deferred income tax assets, net	**18,185**	16,752	**17,536**	16,356

Movements in net deferred income tax assets are summarized as follows:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**16,752**	15,819	**16,356**	11,953
Impact of merger	30.1	**-**	-	**-**	3,449
Amounts recognized in statement of income		**635**	906	**419**	943
Amounts recognized in other comprehensive income		**798**	27	**761**	11
End of the year		**18,185**	16,752	**17,536**	16,356

Details of deferred income tax items recognized in the statement of income are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Allowance for impairment	**99**	(1,164)	(1,816)	**280**	(1,152)	(1,541)
Pension	**(629)**	33	(131)	**(606)**	46	(121)
Net operating loss carryover (NOLCO)	**-**	-	(6)	**-**	-	-
Others	**(105)**	225	3,052	**(93)**	163	2,037
	(635)	(906)	1,099	**(419)**	(943)	375

Critical accounting judgment - Realization of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

14 Other assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Sundry debits	**10,025**	2,839	**9,988**	2,723
Accounts receivable	**2,780**	6,327	**4,118**	6,728
Prepaid expenses	**1,991**	1,608	**1,924**	1,546
Intangible assets	**854**	2,316	**831**	2,277
Rental deposits	**828**	825	**782**	782
Accrued trust and other fees	**673**	645	**138**	139
Creditable withholding tax	**428**	328	**286**	189
Investment properties	**69**	73	**58**	62
Miscellaneous assets	**3,376**	3,058	**2,895**	2,792
	21,024	18,019	**21,020**	17,238
Allowance for impairment	**(1,108)**	(1,189)	**(1,019)**	(1,135)
	19,916	16,830	**20,001**	16,103

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within one day.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Prepaid expenses include Philippine Deposit Insurance Corporation (PDIC) assessment dues, prepayments for rent, allowances and taxes.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Miscellaneous assets include postage stamps, stationery and supplies.

The allowance for impairment pertains mainly to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**1,189**	1,099	**1,135**	908
Impact of merger	30.1	**-**	-	**-**	136
Provision for impairment losses		**61**	255	**40**	243
Transfer/reallocation		**(6)**	(33)	**(20)**	(20)
Write-off		**(136)**	(132)	**(136)**	(132)
End of the year		**1,108**	1,189	**1,019**	1,135

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**20,040**	15,554	**20,117**	14,883
Non-current (over 12 months)	**984**	2,465	**903**	2,355
	21,024	18,019	**21,020**	17,238

15 Deposit liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Demand	**379,076**	376,337	**382,443**	379,169
Savings	**1,158,548**	1,182,071	**1,148,770**	1,172,009
Time	**757,482**	537,593	**732,920**	531,406
	2,295,106	2,096,001	**2,264,133**	2,082,584

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**1,392,507**	1,272,994	**1,368,484**	1,265,986
Non-current (over 12 months)	**902,599**	823,007	**895,649**	816,598
	2,295,106	2,096,001	**2,264,133**	2,082,584

In 2019, the Parent Bank issued the first tranche of long-term negotiable certificates of deposit (LTNCD) amounting to P3 billion out of the established P50-billion LTNCD program approved by the BSP. The LTNCDs pay interest on a quarterly basis at a rate 4% per annum and carry a tenor of 5.5 years maturing on April 25, 2025. The proceeds from the LTNCD issuance are included in “Time deposits” category.

Related interest expense on deposit liabilities is presented below:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Demand	**248**	287	377	**248**	286	359
Savings	**2,115**	2,420	3,419	**2,065**	2,375	2,841
Time	**33,664**	12,114	6,372	**32,621**	12,050	2,387
	36,027	14,821	10,168	**34,934**	14,711	5,587

BSP reserve requirement

The Parent Bank and its bank subsidiaries should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2023, the BSP approved the reduction in reserves which brought the requirement down to 9.5% for universal and commercial banks effective June 30,2023 by virtue of BSP Circular No.1175. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 3% down to 2% effective June 30, 2023 by virtue of BSP Circular No.1175. These rates continue to be consistent throughout 2023.

Reserves must be set aside in deposits with the BSP. As at December 31, 2023, the reserves (included in Due from BSP) amounted to P186,356 million (2022 - P212,276 million) for the BPI Group and P185,703 million (2022 - P211,789 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

16 Bills payable and other borrowed funds

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Bills payable				
Local banks	**720**	3,471	**-**	3,471
Foreign banks	**22,359**	17,056	**19,701**	12,555
Other borrowed funds	**114,025**	76,976	**114,025**	76,976
	137,104	97,503	**133,726**	93,002

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable (Note 9). The average payment terms of these bills payable is one year (2022 - 1.11 years).

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026 and has a carrying amount of P16,494 million as at December 31, 2023. The Parent Bank incurred origination costs amounting to USD 2.35 million.

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Private firms and local banks - Peso - denominated	**5.75 - 7.00**	3.75 - 6.40	**5.75 - 7.00**	3.75 - 6.40
Foreign banks - Foreign currency-denominated	**2.70 - 7.23**	0.13 - 5.96	**5.00 - 6.33**	2.95 - 4.27

Other borrowed funds

This represents funds raised via the BPI Group's debt issuance programs as follows:

(a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million, out of which a total of P25,000 million notes were issued with a coupon of 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's Board of Directors approved the issuance of Peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawdown in multiple tranches, under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	**27,000**	26,874

Bonds with a total face amount of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) Peso-denominated Bonds under the P100 billion Bond Program

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million will be used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program. As at December 31, 2023, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
					(In Millions of Pesos)	
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	**20,236**	-
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	**36,371**	-

(c) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to USD 2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to USD 3,000 million. As at December 31, 2023 and 2022, the outstanding drawdowns under the MTN program are as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount **2023**	Carrying amount 2022
				(In Millions of Pesos)		
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**-**	33,417
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**16,594**	16,685

(d) Private Placement

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at December 31, 2023, the carrying amount of the bond amounts to P13,824 million.

Following the BPI-BFB merger (Note 30.1), BPI assumed a P9,600 million bond with a coupon of 4.30% per annum, payable quarterly. At the acquisition date, the carrying amount of the bond amounted to P9,584 million. The bond matured on June 16, 2022.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Bills payable	**1,050**	143	77	**811**	35	59
Other borrowed funds	**4,145**	3,238	4,789	**4,145**	3,238	4,337
	5,195	3,381	4,866	**4,956**	3,273	4,396

The movements in bills payable and other borrowed funds are summarized as follows:

	Note	**Consolidated**		**Parent**	
		2023	2022	**2023**	2022
			(In Millions of Pesos)		
At January 1		**97,503**	95,039	**93,002**	82,550
Impact of merger	30.1	**-**	-	**-**	9,584
Additions		**138,190**	61,113	**122,029**	42,788
Maturities		**(98,232)**	(63,434)	**(80,976)**	(46,428)
Amortization of discount		**342**	241	**342**	241
Exchange differences		**(699)**	4,544	**(671)**	4,267
At December 31		**137,104**	97,503	**133,726**	93,002

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**69,861**	51,715	**67,038**	49,443
Non-current (over 12 months)	**67,243**	45,788	**66,688**	43,559
	137,104	97,503	**133,726**	93,002

17 Deferred credits and other liabilities

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Bills purchased - contra		**10,674**	12,270	**10,674**	12,270
Lease liabilities	20	**9,756**	10,095	**8,678**	9,726
Outstanding acceptances		**7,862**	9,100	**7,862**	9,100
Accounts payable		**7,603**	4,011	**7,082**	3,465
Other deferred credits		**3,063**	3,342	**3,063**	3,342
Due to the Treasurer of the Philippines		**1,568**	1,174	**1,557**	1,164
Withholding tax payable		**1,503**	880	**1,441**	841
Miscellaneous liabilities		**11,423**	10,336	**10,674**	9,537
		53,452	51,208	**51,031**	49,445

Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the BPI Group to its clients.

Outstanding acceptances represent liabilities arising from the bank drafts and bills of exchange the Parent Bank has accepted from its clients.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits mainly pertain to unexpired portion of membership fee paid by the credit card holders and discount on purchased contract-to-sell receivables from developers.

Miscellaneous liabilities include pension liability, allowance for credit losses for undrawn committed credit facilities and other employee-related payables.

The account is expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**41,642**	41,678	**40,268**	40,116
Non-current (over 12 months)	**11,810**	9,530	**10,763**	9,329
	53,452	51,208	**51,031**	49,445

18 Capital funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2023	2022	2021
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**54,000**	50,000	50,000
Preferred A shares	**600**	600	600
	54,600	50,600	50,600

Details of the Parent Bank's subscribed common shares are as follows:

	2023	2022	2021
	(In absolute number of shares)		
Common shares			
At January 1	**4,919,307,531**	4,513,128,255	4,513,101,605
Subscription of shares during the year	**25,889,760**	406,179,276	26,650
At December 31	**4,945,197,291**	4,919,307,531	4,513,128,255
	(In absolute amounts)		
Subscription receivable	**144,726,145**	-	-

The BPI common shares are listed and traded in the PSE since October 12, 1971.

As at December 31, 2023, the Parent Bank has a subscription receivable representing the amortization of Executive Stock Purchase Plan (ESPP) shares in excess of par value and booked against share premium amounting to P342 million (2022 - P208 million; 2021 - P416 million).

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date of April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2023, 2022 and 2021, the Parent Bank has 11,760, 11,864 and 12,084 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2023, 2022 and 2021.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

On June 8, 2021, the BSP approved the amendment to the Parent Bank's Articles of Incorporation reflecting the increase in its authorized share capital from 4.9 billion shares to 5 billion shares. The SEC approved the amendment on December 21, 2021.

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

BPI and BFB merger (Note 30.1)

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger amounting to P33,042 billion (Note 30.1). The number of treasury shares issued was computed based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020. Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Bank's equity holders until the shares are cancelled, reissued or disposed of.

Pursuant to the issuance of shares due to the merger as at January 1, 2022, the Parent Bank's share capital and share premium increased by P4,062 million and P28,981 million, respectively, as at January 1, 2022.

On March 15, 2023, the treasury shares were declared as property dividends by the BOD amounting to P42,364 billion consisting of 406.18 million common shares at an entitlement ratio of 0.0896395563 for every 1 common share held by an eligible stockholder of BPI as of record date of March 29, 2023. Amount in excess of the cost of the treasury shares amounting to P8,949 million is presented as addition to share premium in the statement of changes in capital funds. Transaction costs incurred by the BPI Group and Parent Bank amounted to P372 million and P403 million, respectively.

(b) Reserves

The account consists of:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Reserve for trust business	**400**	387	389	**-**	-	-
Executive stock option plan amortization	**49**	132	141	**37**	116	126
Reserve for trading participants	**73**	73	-	**-**	-	-
Reserve for self-insurance	**34**	34	34	**34**	34	34
Merger reserves	**-**	-	-	**32,905**	32,905	-
Others	**87**	18	-	**-**	-	-
	643	644	564	**32,976**	33,055	160

General loan loss provision (GLLP)

In 2018, the BSP issued Circular 1011 which mandates among others, banks to set up GLLP equal to 1% of all outstanding "Stage 1" on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Under the said Circular, if the PFRS 9 "Stage 1" loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. Until December 31, 2019, the BPI Group has appropriated P4,739 million (2018 - P3,867 million) representing the excess of GLLP over PFRS 9 loan loss provision out of surplus to meet the requirements of the BSP. As at December 31, 2023 and December 31, 2022, the GLLP appropriation is nil as the loan loss provision for both years are higher than the required GLLP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI Wealth's, a wholly-owned subsidiary of the Parent Bank, income from trust business should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth.

Reserve for self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Reserve for trading participants

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method. It also include the results of operations of BFB during the year ended December 31, 2021, net of dividends declared on December 29, 2021.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and ESPP to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
July 1, 2021	-	34,000,000
December 11, 2019	4,035,000	9,100,000
December 12, 2018	4,168,000	11,500,000
December 6, 2017	3,560,000	7,500,000
January 25, 2017	3,560,000	4,500,000

The ESOP has a three-year vesting period from grant date while the ESPP has a five-year payment period.

The exercise price for ESOP is equal to the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The weighted average fair value of options granted determined using the Black-Scholes valuation model was P19.04 and P6.50 for the options granted in December 2019 and 2018, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2023	2022	2021
At January 1	**9,866,999**	12,905,000	15,921,667
Granted	**-**	-	-
Exercised	**(3,900,440)**	(2,353,001)	(1,650,000)
Cancelled	**-**	(685,000)	(1,366,667)
At December 31	**5,966,559**	9,866,999	12,905,000
Exercisable	**5,966,559**	8,708,666	9,095,002

The impact of ESOP is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

The subscription price for ESPP is equivalent to 10% below the volume weighted average of BPI share price. The subscribed shares will vest over a period of three 3 years from grant date. The grant dates for the last three-year ESPP were on April 26, 2023, December 13, 2022 and February 4, 2020. The initial subscriptions for the ESPP granted on April 26, 2023 and December 13, 2022 were received on April 26, 2023 and March 10, 2023, respectively.

(c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Fair value reserve on financial assets at FVOCI						
At January 1	**(8,058)**	(3,030)	559	**(7,465)**	(2,327)	932
Unrealized fair value gain (loss) before tax	**6,996**	(4,337)	(2,864)	**7,005**	(4,393)	(2,779)
Amount recycled to profit or loss	**(947)**	(28)	47	**(947)**	(28)	148
Deferred income tax effect	**(884)**	(663)	(772)	**(896)**	(717)	(628)
At December 31	**(2,893)**	(8,058)	(3,030)	**(2,303)**	(7,465)	(2,327)
Share in other comprehensive (loss) income of insurance subsidiaries						
At January 1	**(80)**	71	219	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**63**	(187)	(184)	**-**	-	-
Deferred income tax effect	**(13)**	36	36	**-**	-	-
At December 31	**(30)**	(80)	71	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**(162)**	166	446	**-**	-	-
Share in other comprehensive income (loss) for the year	**454**	(328)	(280)	**-**	-	-
At December 31	**292**	(162)	166	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(582)**	(517)	(1,144)	**-**	-	(291)
Translation differences and others	**(54)**	(65)	627	**-**	-	291
At December 31	**(636)**	(582)	(517)	**-**	-	-
Remeasurements of defined benefit obligation, net						
At January 1	**(5,374)**	(5,360)	(5,979)	**(4,378)**	(4,498)	(4,929)
Actuarial (losses) gains for the year	**(3,434)**	191	1,372	**(3,342)**	104	1,039
Deferred income tax effect	**948**	(205)	(753)	**947**	16	(608)
At December 31	**(7,860)**	(5,374)	(5,360)	**(6,773)**	(4,378)	(4,498)
	(11,127)	(14,256)	(8,670)	**(9,076)**	(11,843)	(6,825)

(d) Dividend declarations

Cash dividends

Dividends declared by the BOD of the Parent Bank are as follows:

Date declared	Amount of dividends Per share	Total
		(In Millions of Pesos)
For the year ended December 31, 2023		
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308
		15,934
For the year ended December 31, 2022		
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
		9,568
For the year ended December 31, 2021		
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
		8,124

Property dividends

On March 15, 2023, the BOD declared the treasury shares as property dividends (Note 18a).

(e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank	**51,687**	39,605	23,880	**50,053**	36,999	22,783
b) Weighted average number of common shares outstanding during the year	**4,741**	4,513	4,513	**4,741**	4,513	4,513
c) Basic EPS (a/b) based on net income	**10.90**	8.78	5.29	**10.56**	8.20	5.05

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

19 Other income

(a) Fees and commission

Details of fees and commission are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Service charges	**9,673**	8,382	8,206	**9,000**	7,745	7,511
Bank commissions	**2,168**	1,787	1,796	**2,166**	1,771	1,540
Underwriting fees	**693**	936	858	**-**	-	-
Stock brokerage fees	**183**	234	344	**-**	-	-
	12,717	11,339	11,204	**11,166**	9,516	9,051

Service charges represents service fees and processing fees collected from customers.

Bank commissions include foreign and domestic commissions collected for services rendered.

(b) Other operating income

Details of other operating income are as follows:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Credit card income		**6,207**	4,594	3,542	**6,209**	4,594	3,449
Trust and asset management fees		**4,211**	3,802	3,913	**2**	4	6
Gain on sale of assets	11	**407**	5,303	477	**420**	5,295	129
Rental income		**135**	195	236	**167**	225	285
Dividend income	8	**100**	60	30	**3,066**	1,810	6,939
Miscellaneous income		**3,207**	3,099	2,572	**2,877**	2,637	2,218
		14,267	17,053	10,770	**12,741**	14,565	13,026

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets, fees arising from service arrangements with customers and related parties and share in net income (loss) of associates.

20 Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes. The balances arising from the lease contracts are presented below:

Right-of-use assets and lease liabilities (PFRS 16)

Details of right-of-use assets and lease liabilities as at December 31 are as follows:

		Consolidated		**Parent**	
	Notes	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**8,404**	9,011	**7,365**	8,666
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**2,577**	3,417	**2,337**	3,225
Non-current		**7,179**	6,678	**6,341**	6,501
		9,756	10,095	**8,678**	9,726

Additions to the right-of-use assets (Note 11) in 2023 aggregated P1,701 million (2022 - P4,495 million) and P1,459 million (2022 - P4,220 million) for BPI Group and Parent bank, respectively. Total cash outflow for leases in 2023 amounted to P2,214 million (2022 - P1,925 million) and P1,933 million (2022 - P1,698 million) for BPI Group and Parent bank, respectively.

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,186**	2,088	**1,936**	1,632
Interest expense (included in "Occupancy and equipment-related expenses")		**321**	301	**281**	281
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**101**	124	**101**	124
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**397**	235	**354**	213
		3,005	2,748	**2,672**	2,250

The BPI Group has received COVID-19 related rent discount and deferral of the escalation of lease payments and has applied the practical expedients allowed under PFRS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the years ended December 31:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Rent concession (included in "Other operating income")	**1**	1	**1**	1

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 2.00% to 7.40% (2022 - 4.10% to 6.83%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

21 Operating expenses

(a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
		2023	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Salaries and wages		**18,600**	16,024	15,050	**16,320**	14,236	11,461
Retirement expense	23	**1,232**	1,438	1,443	**1,148**	1,379	1,135
Other employee benefit expenses		**3,389**	2,066	2,035	**2,842**	1,792	1,498
		23,221	19,528	18,528	**20,310**	17,407	14,094

Other employee benefit expenses pertain to employee incentives like HMO coverage and SSS premiums.

(b) Other operating expenses

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Insurance	**5,204**	4,768	4,188	**5,140**	4,711	3,090
Advertising	**4,124**	2,393	970	**4,020**	2,259	920
Travel and communication	**1,575**	1,194	1,123	**1,414**	1,069	950
Supervision and examination fees	**963**	873	843	**783**	695	593
Management and other professional fees	**730**	651	337	**673**	572	254
Litigation expenses	**477**	349	373	**468**	345	101
Office supplies	**428**	358	343	**363**	305	254
Taxes and licenses	**224**	1,214	1,285	**165**	1,147	996
Amortization expense	**18**	172	135	**1**	3	-
Shared expenses	**-**	-	-	**-**	-	53
Others	**10,134**	7,729	6,598	**9,115**	7,089	5,009
	23,877	19,701	16,195	**22,142**	18,195	12,220

Insurance expense comprise mainly of premium payments made to PDIC and other product-related insurance costs.

Other expenses mainly include fees and incentives paid to agents, outsourcing fees, freight charges and other business expense such as those incurred in staff meetings, donations, periodicals and magazines.

22 Income taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**16,303**	**25.00**	12,842	25.00	8,384	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(392)**	**(0.60)**	(723)	(1.41)	39	0.12
Tax-exempt income	**(1,134)**	**(1.74)**	(1,318)	(2.56)	(1,780)	(5.31)
Others, net	**(1,478)**	**(2.27)**	731	1.42	2,784	8.30
Effective income tax	**13,299**	**20.39**	11,532	22.45	9,427	28.11

	Parent					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**15,559**	**25.00**	11,821	25.00	7,465	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(446)**	**(0.72)**	(77)	(0.17)	91	0.30
Tax-exempt income	**(1,872)**	**(3.01)**	(1,506)	(3.18)	(933)	(3.12)
Others, net	**(1,060)**	**(1.70)**	45	0.10	453	1.52
Effective income tax	**12,181**	**19.57**	10,283	21.75	7,076	23.70

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE law, the BPI Group recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P819 million in current income tax expense and an increase of P2,718 million in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%. The Parent Bank likewise recognized a decrease of P724 million in current income tax expense and an increase of P1,976 million in deferred income tax expense, respectively.

23 Retirement plans

The BPI Group maintains both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

BPI Group (excluding insurance operations)

BPI has a unified plan which covers all subsidiaries except insurance entities. Under this plan, the normal retirement age is 60 years. Those who elect to retire prior to the normal retirement age will require company approval, subject to meeting the eligibility conditions on age and years of credited services. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service and cash equivalent of the accrued and unused vacation and sick leave, if any subject to the BPI Group's implementing guidelines and policies. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the (1) same basis as in voluntary retirement; (2) 100% of basic monthly salary of the employee at the time of his retirement for each year of service; and (3) minimum amount required by Labor Code.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

Non-life insurance subsidiary

BPI/MS Insurance Corporation has a separate trusteed defined benefit plan. Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 175% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered as least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. Death or disability benefit for all employees of the non-life insurance subsidiary shall be determined on the same basis as in normal or voluntary retirement as the case may be.

Following are the amounts recognized based on recent actuarial valuation exercise:

(a) Pension liability as at December 31 recognized in the statement of condition:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Present value of defined benefit obligation	**18,632**	15,600	**18,098**	15,296
Fair value of plan assets	**(14,103)**	(12,876)	**(13,722)**	(12,515)
Pension liability recognized in the statement of condition	**4,529**	2,724	**4,376**	2,781
Effect of asset ceiling	**12**	24	**-**	-
	4,541	2,748	**4,376**	2,781

Pension liability is shown as part of "Miscellaneous liabilities" within Deferred credits and other liabilities (Note 17).

The movements in plan assets are summarized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**12,876**	9,999	**12,515**	8,504
Contributions	**2,251**	4,182	**2,229**	3,733
Interest income	**886**	473	**860**	401
Benefit payments	**(1,032)**	(834)	**(1,030)**	(776)
Remeasurement - return on plan assets	**(878)**	(944)	**(852)**	(804)
Transfer to the plan	**-**	-	**-**	1,457
At December 31	**14,103**	12,876	**13,722**	12,515

The carrying values of the plan assets represent their fair value as at December 31, 2023 and 2022.

The merger between the Parent Bank and BFB became effective on January 1, 2022 (Note 30.1), accordingly, the plan assets of BFB were transferred to the Parent Bank.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**8,517**	6,759	**8,287**	6,569
Equity securities	**4,307**	4,852	**4,191**	4,716
Others	**1,279**	1,265	**1,244**	1,230
	14,103	12,876	**13,722**	12,515

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P2,413 million at December 31, 2023 (2022 - P489 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

Others include cash and cash equivalents and other receivables.

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**15,600**	15,580	**15,296**	13,361
Interest cost	**1,115**	768	**1,088**	659
Current service cost	**757**	782	**730**	656
Remeasurement - changes in financial assumptions	**1,013**	(1,428)	**980**	(1,223)
Remeasurement - experience adjustment	**1,512**	543	**1,416**	919
Remeasurement - changes in demographic assumption	**(332)**	-	**(306)**	-
Benefit payments	**(1,033)**	(834)	**(1,030)**	(776)
Past service cost - plan amendment	**-**	189	**-**	163
Transfer to the plan	**-**	-	**(76)**	1,537
At December 31	**18,632**	15,600	**18,098**	15,296

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2023 and 2022.

(b) Expense recognized in the statement of income for the years ended December 31 are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Current service cost	**757**	782	853	**730**	656	703
Net interest cost	**229**	295	298	**228**	258	256
	986	1,077	1,151	**958**	914	959

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Discount rate	**6.03%**	7.15%	**6.03%**	7.15%
Future salary increases	**6.00%**	6.00%	**6.00%**	6.00%

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the BPI Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan’s fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the BPI Group. However, the BPI Group believes that due to the long-term nature of the pension liability and the strength of the BPI Group itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the BPI Group’s long-term strategy to manage the plan efficiently.

The BPI Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The BPI Group’s main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary to better ensure the appropriate asset-liability matching.

The BPI Group contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary engaged by management. The expected contributions for the year ending December 31, 2024 for the BPI Group and the Parent Bank amount to P1,273 billion and P1,217 billion, respectively (2022 - P987 million and P964 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2023 is 5.09 years (2022 - 7.32 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Up to one year	**3,347**	1,661	**3,260**	1,647
More than 1 year to 5 years	**3,095**	3,327	**2,980**	3,272
More than 5 years to 10 years	**2,649**	9,955	**2,566**	9,729
More than 10 years to 15 years	**2,783**	10,850	**2,627**	10,644
More than 15 years to 20 years	**2,661**	6,550	**2,573**	6,321
Over 20 years	**23,833**	21,648	**22,364**	20,612

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.80%
Salary growth rate	1.00%	Increase by 7.80%	Decrease by 7.00%

Parent

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.70%
Salary growth rate	1.00%	Increase by 7.70%	Decrease by 6.90%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of condition.

b) Defined contribution retirement plan subject to the requirements of Republic Act (RA) No. 7641

All non-unionized employees hired on or after the January 1, 2016 are automatically under the new defined contribution plan. Employees hired prior to the effective date shall have the option to elect to become members of the new defined contribution plan.

Upon normal or late retirement, employees are entitled to a lump sum benefit equal to the total of the following amounts:

- The greater of the (a) updated member account balance where the company periodically contributes 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- The updated member account balance funded by (a) voluntary employee contribution and (b) employer matching contribution; and
- Cash equivalent of the accrued and unused vacation and sick leave, if any.

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

The funding status of the defined contribution plan as at December 31 is shown below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Fair value of plan assets	**2,261**	1,961	**1,898**	1,684
Present value of defined benefit obligation	**(595)**	(889)	**(531)**	(767)
	1,666	1,072	**1,367**	917
Effect of asset ceiling	**1,666**	1,072	**1,367**	917
	-	-	**-**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**889**	760	**767**	563
Interest cost	**66**	37	**56**	28
Current service cost	**120**	122	**95**	84
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - changes in financial assumptions	**54**	(212)	**45**	(161)
Remeasurement - experience adjustment	**369**	282	**336**	284
Remeasurement - changes in demographic assumptions	**(719)**	-	**(601)**	-
Past service cost - plan amendment	**-**	47	**-**	36
Transfer to the plan	**-**	-	**(11)**	61
At December 31	**595**	889	**531**	767

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**1,961**	1,981	**1,684**	1,474
Contribution paid by employer	**332**	176	**270**	121
Interest income	**145**	100	**124**	74
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - return on plan assets	**7**	(149)	**(24)**	108
Transfer to the plan	**-**	-	**-**	35
At December 31	**2,261**	1,961	**1,898**	1,684

Total retirement expense for the year ended December 31, 2023 under the defined contribution plan for the BPI Group and Parent Bank amounts to P119 million (2022 - P210 million) and P94 million (2022 - P170 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**619**	554	**520**	476
Equity securities	**1,495**	1,302	**1,255**	1,118
Others	**147**	105	**123**	90
	2,261	1,961	**1,898**	1,684

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 8.17 years (2022 - 15.46 years).

Critical accounting estimate - Calculation of defined benefit obligation

The BPI Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate and future salary increases. The BPI Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. The present value of the defined benefit obligations of the BPI Group at December 31, 2023 and 2022 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group's assumptions are reflected as remeasurements in other comprehensive income. The BPI Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

24 Asset management business

At December 31, 2023, the total trust and fund assets under management of the BPI Group through BPI Wealth amounts to P1,223 billion (2022 - P875 billion).

As required by the General Banking Act, BPI Wealth has deposited government securities with the BSP valued at P990 million (2022 - P673 million).

25 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank's Chief Finance Officer, and the Bank's Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	**71**	**113**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(3,016)	**61,680**	
Deposits from:			
Associates	**912**	**1,949**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.70% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	**(2,239)**	**687**	
Key management personnel	**958**	**1,215**	
	(369)	**3,851**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(18)	42	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,105)	64,696	
Deposits from:			
Associates	(236)	1,037	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(8,475)	2,926	
Key management personnel	(727)	257	
	(9,438)	4,220	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(449)	60	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 9.63% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(35,474)	65,195	
Other related parties	546	546	
	(35,377)	65,801	
Deposits from:			
Associates	(4)	1,273	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.24% Time - 1.73% to 2.00% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(7,349)	11,401	
Key management personnel	200	984	
	(7,153)	13,658	

Parent

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**53**	**87**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.22% to 7.23% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Associates	**71**	**113**	
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(2,963)	**61,767**	
Deposits from:			
Subsidiaries	**442**	**6,365**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.80% Savings - 0.09% to 0.09% Time - 4.35% to 5.35% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	**912**	**1,949**	
Ayala Group	**(2,239)**	**687**	
Key management personnel	**936**	**1,191**	
	51	**10,192**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	34	34	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(18)	42	
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,071)	64,730	
Deposits from:			
Subsidiaries	(5,408)	5,923	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(234)	1,037	
Ayala Group	(7,203)	2,926	
Key management personnel	(692)	255	
	(13,537)	10,141	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	-	-	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 4.56% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(449)	60	
Ayala Group	(13,474)	65,195	
Other related parties	546	546	
	(13,377)	65,801	
Deposits from:			
Subsidiaries	3,399	11,331	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.22% Time - 0.79% to 1.04% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	17	1,271	
Ayala Group	(6,721)	10,129	
Key management personnel	219	947	
	(3,086)	23,678	

The aggregate amounts included in the determination of income before income tax (after elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated	**2023**	2022	2021
	(In Millions of Pesos)		
Interest income			
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,305	1,724	2,814
Other income			
Associates	**327**	1,771	312
Ayala Group	**935**	833	2,470
	1,262	2,604	2,782
Interest expense			
Associates	**18**	1	1
Ayala Group	**4**	29	18
Key management personnel	**14**	1	2
	36	31	21
Other expenses			
Associates	**191**	389	-
Ayala Group	**799**	1,769	1,112
	990	2,158	1,112
Retirement benefits			
Key management personnel	**50**	52	46
Salaries, allowances and other short-term benefits			
Key management personnel	**1,477**	831	829
Directors' remuneration	**113**	157	119

Parent	**2023**	2022	2021
	(In Millions of Pesos)		
Interest income			
Subsidiaries	**19**	5	5
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,324	1,729	2,819
Other income			
Subsidiaries	**209**	733	1,630
Associates	**139**	1,771	312
Ayala Group	**935**	648	1,645
	1,283	3,152	3,587
Interest expense			
Subsidiaries	**19**	5	5
Associates	**18**	1	1
Ayala Group	**4**	29	13
Key management personnel	**14**	1	1
	55	36	20
Other expenses			
Subsidiaries	**127**	817	10
Associates	**-**	282	-
Ayala Group	**799**	1,744	867
	926	2,843	877
Retirement benefits			
Key management personnel	**48**	51	41
Salaries, allowances and other short-term benefits			
Key management personnel	**1,433**	796	746
Directors' remuneration	**88**	131	86

Other income mainly consists of revenue from service arrangements with related parties in which the related outstanding balance is included under accounts receivable. Other expenses pertain to shared costs with related parties and the related outstanding balance is recognized as accounts payable.

Details of DOSRI loans are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

As at December 31, 2023, allowance for credit losses amounting to P247 million (2022 - P589 million) have been recognized against receivables from related parties.

26 Financial risk management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the BPI Group. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC.

Finally, independent reviews are regularly conducted by the Internal Audit group, external auditors, and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

Credit risk, liquidity risk and market risk, as well as operational and cyber security risks are some of the top risks that the BPI Group manages.

26.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed repayment terms. Credit risk is the single largest risk for the BPI Group's business; management therefore carefully manages its exposure to credit risk as governed by prudent credit policies, standards and methodologies, relevant regulatory requirements, and international benchmarks.

Loans and advances are the most evident source of credit risks; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking books, investment securities in the trading books and off-balance sheet transactions.

26.1.1 Credit risk management

The Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the BPI Group's credit risks. CPRM supports the Senior Management in coordination with various business lending and operations units in identifying, measuring, reporting, and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risks. The BPI Group monitors its loan and investment portfolios based on different segmentations to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be eliminated. However, said risk may be reduced by adopting proper risk controls, mitigation, and diversification strategies to prevent undue credit risk concentrations from excessive exposures to counterparties, borrower-groups, industries, countries or regions.

The BPI Group structures the levels of credit risks it undertakes by placing limits or monitoring thresholds on the amount of risks accepted in relation to one borrower, or group of borrowers, industry segments, and countries or regions. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any borrower may also be further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against risk limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, borrower or counterparties' risk profiles, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default (PD) of an obligor or counterparty, the loss severity given a default (LGD) event and the exposure at default (EAD).

A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The BPI Group has policies and procedures that govern the calculation of ECL, which is performed by the Credit Risk Modeling, Analytics and MIS (CRMA-MIS) division. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of CRMA-MIS, e.g., Risk Models Validation Division, Internal Auditors, and/or external assurance partners. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions across the Parent Bank.

Credit loss estimates are based on estimates of the PD and loss severity given a default. The PD is the likelihood that a borrower will default on its obligation; the LGD is the estimated loss that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by RMO and revised as needed to reflect the borrower's current financial position, risk profile, related collateral or credit enhancements, and other credit risk mitigants. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

The BPI Group's forward-looking, point-in-time PD models are driven by internal forecasts of macroeconomic variables (MEVs) over the next five years. These models were previously recalibrated annually, but in view of the COVID-19 pandemic, more frequent review and update of these models were conducted starting April 2020 as MEV forecasts were revised quarterly in response to changing macroeconomic conditions. Furthermore, the pandemic was expected to significantly increase foreclosures and dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals.

The BPI Group also manages counterparty credit risk arising from both pre-settlement and settlement risks. Pre-settlement risk is the risk that a counterparty will default prior to the final settlement/maturity of a transaction, while settlement risk pertains to the risk that a counterparty fails to deliver on settlement/maturity date when the Bank has already delivered on its contractual obligations. In managing counterparty risks, pre-settlement and settlement risk limits are established and exposures are monitored daily for each counterparty to cover the aggregate of pre-settlement and settlement risks arising from transactions with the BPI Group. The BPI Group also employs various tools and methods including use of delivery versus payment settlement, payment versus payment settlement, use of collateral agreements, and other acceptable credit risk mitigation techniques to further manage counterparty credit risk.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

One of the most traditional and common practice in mitigating credit risks is requiring collaterals and/or securities particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The BPI Group assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets [e.g., guarantees, investments (bonds or equities)]; and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

In order to minimize credit loss, the BPI Group seeks additional collateral and/or securities from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The BPI Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the BPI Group since the prior period.

(b) Market Limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering master netting arrangements with certain counterparties with which it undertakes significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods and therefore carry less risk than a direct loan.

26.1.2 Credit risk rating

The BPI Group uses internal credit risk gradings that reflect its assessment of the PD of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models (e.g. credit risk scorecards) or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application and credit evaluation (such as financial and business information, source of incomes/revenues, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are used in the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted an internal credit classification system that is aligned with regulatory guidelines and aims to identify deteriorating credit exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The borrower or counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans, contracts-to-sell/group plans with recourse, floorstock lines) and Small and Medium-sized Enterprise (SME) loans

The BPI Group's internal credit risk rating system comprises a 22-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts, a 14-scale rating system with ten (10) 'pass' rating grades for SME accounts, and a 23-scale rating with nineteen (19) 'pass' rating levels for cross-border accounts. For cross-border accounts, the BPI Group also uses available external/benchmark credit ratings issued by reputable rating agencies if there is no internal rating. The level of risk and associated PD are determined using either the internal credit risk ratings or external/benchmark credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

Classifications	Large corporate	SME	Cross-Border
Standard monitoring	AAA to B-, unrated, and $\leq$ 30 days past due (dpd)	AAA to B-, unrated, and $\leq$ 30 dpd	AAA to B- with no significant increase in credit risk (SICR), and $\leq$ 30 dpd
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Downgraded to lower than BB+ with SICR but not impaired, or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or >90 dpd or Items in Litigation (IL)	ACA or >90 dpd or IL	Default/ACA with objective evidence of impairment, or > 90 dpd

ii. Retail loans

The BPI Group uses automated credit scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a loan. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

In 2023, the BPI Group updated the default definition for SEME loan portfolio from 7 days to 10 days in line with the amended cure period from 7 days to 10 days in 2022 as a result of the Cure Period Analysis study conducted by the BPI Group's Enterprise Risk Stress Testing Department of the RMO, taking into account the changes in the BPI Group's collection activities and impact of the Coronavirus pandemic to the borrowers.

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	$\leq$ 29 dpd	$\leq$ 30 dpd	$\leq$ 10 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd or based on prescribed dpd threshold	Not applicable
Default	>89 dpd or IL	>90 dpd or IL	>10 dpd

**Self-employed micro-entrepreneurs*

iii. Treasury and other investment debt securities

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using either internal ratings or reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of both internal and external credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	Applicable ratings
Standard monitoring	AAA to B- with no SICR
Special monitoring	Downgraded to lower than BB+ with SICR but not impaired
Default	Default, with objective evidence of impairment

iv. Other financial assets at amortized cost

For other financial assets (non-credit receivables), the BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

26.1.3 Maximum exposure to credit risk

26.1.3.1 Loans and advances, net

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,482,335**	1,372,660	**1,478,037**	1,366,793
Retail loans, net	**399,672**	330,330	**371,803**	313,891
	1,882,007	1,702,990	**1,849,840**	1,680,684

The carrying amount of loans and advances above also represents the BPI Group's maximum exposure to credit risk. The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Credit quality of loans and advances, net

Consolidated

Corporate and SME loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,152,071	1,865	-	**1,153,936**	1,171,215	52,183	-	1,223,398
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,812	**38,812**	-	-	35,167	35,167
Gross amount	1,281,608	201,161	38,812	**1,521,581**	1,249,952	131,223	35,167	1,416,342
Loss allowance	(10,596)	(3,483)	(25,167)	**(39,246)**	(9,855)	(1,444)	(32,383)	(43,682)
Carrying amount	1,271,012	197,678	13,645	**1,482,335**	1,240,097	129,779	2,784	1,372,660

Retail loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	373,296	16,217	3	**389,516**	308,616	13,005	-	321,621
Special monitoring	525	8,705	-	**9,230**	401	6,333	-	6,734
Default	-	-	19,154	**19,154**	-	-	16,060	16,060
Gross amount	373,821	24,922	19,157	**417,900**	309,017	19,338	16,060	344,415
Loss allowance	(4,890)	(3,242)	(10,096)	**(18,228)**	(4,045)	(2,195)	(7,845)	(14,085)
Carrying amount	368,931	21,680	9,061	**399,672**	304,972	17,143	8,215	330,330

Parent

Corporate and SME loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	1,147,940	1,865	-	**1,149,805**	1,165,519	52,183	-	1,217,702
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,813	**38,813**	-	-	35,117	35,117
Gross amount	1,277,477	201,161	38,813	**1,517,451**	1,244,256	131,223	35,117	1,410,596
Loss allowance	(10,767)	(3,483)	(25,164)	**(39,414)**	(10,026)	(1,444)	(32,333)	(43,803)
Carrying amount	1,266,710	197,678	13,649	**1,478,037**	1,234,230	129,779	2,784	1,366,793

Retail loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	345,864	16,160	3	**362,027**	292,362	12,940	-	305,302
Special monitoring	524	8,286	-	**8,810**	401	6,162	-	6,563
Default	-	-	16,601	**16,601**	-	-	14,254	14,254
Gross amount	346,388	24,446	16,604	**387,438**	292,763	19,102	14,254	326,119
Loss allowance	(4,135)	(3,229)	(8,271)	**(15,635)**	(3,509)	(2,188)	(6,531)	(12,228)
Carrying amount	342,253	21,217	8,333	**371,803**	289,254	16,914	7,723	313,891

The tables below present the gross amount of “Stage 2” loans and advances by age category.

Consolidated

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,072	**212,462**	130,601	9,721	140,322
Past due up to 30 days	389	4,544	**4,933**	520	3,618	4,138
Past due 31 - 90 days	382	8,306	**8,688**	102	5,999	6,101
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,922	**226,083**	131,223	19,338	150,561

Parent

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,033	**212,423**	130,601	9,671	140,272
Past due up to 30 days	389	4,522	**4,911**	520	3,596	4,116
Past due 31 - 90 days	382	7,891	**8,273**	102	5,835	5,937
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,446	**225,607**	131,223	19,102	150,325

26.1.3.2 Treasury and other investment securities, net

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Due from BSP	**199,619**	182,869	**192,246**	178,534
Due from other banks	**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and SPAR, net	**20,643**	12,382	**17,342**	11,631
Financial assets at FVTPL	**23,543**	21,941	**17,456**	16,941
Financial assets at FVOCI	**215,780**	92,447	**212,442**	90,477
Investment securities at amortized cost, net	**382,711**	420,533	**377,120**	415,035
	878,588	775,362	**849,687**	755,714

Credit quality of treasury and other investment securities, net

Consolidated

	2023				2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring								
Due from BSP	199,619	-	-	**199,619**	182,869	-	-	182,869
Due from other banks	36,292	-	-	**36,292**	45,190	-	-	45,190
Interbank loans receivable and SPAR	20,645	-	-	**20,645**	12,382	-	-	12,382
Financial assets at FVTPL	23,543	-	-	**23,543**	21,941	-	-	21,941
Financial assets at FVOCI	215,438	342	-	**215,780**	92,040	407	-	92,447
Investment securities at amortized cost	381,811	931	-	**382,742**	419,614	930	-	420,544
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**877,348**	**1,273**	**41**	**878,662**	774,036	1,337	40	775,413
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**877,315**	**1,273**	**-**	**878,588**	774,035	1,327	-	775,362

Parent

	2023				2022			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring								
Due from BSP	192,246	-	-	**192,246**	178,534	-	-	178,534
Due from other banks	33,081	-	-	**33,081**	43,096	-	-	43,096
Interbank loans receivable and SPAR	17,344	-	-	**17,344**	11,631	-	-	11,631
Financial assets at FVTPL	17,456	-	-	**17,456**	16,941	-	-	16,941
Financial assets at FVOCI	212,100	342	-	**212,442**	90,070	407	-	90,477
Investment securities at amortized cost	376,220	931	-	**377,151**	414,116	930	-	415,046
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**848,447**	**1,273**	**41**	**849,761**	754,388	1,337	40	755,765
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**848,414**	**1,273**	**-**	**849,687**	754,387	1,327	-	755,714

26.1.3.3 Other financial assets at amortized cost

Other financial assets at amortized cost that are exposed to credit risk are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Accounts receivable, net	**1,242**	1,346	**2,758**	1,791
Rental deposits	**828**	825	**781**	782
Other accrued interest and fees receivable	**76**	64	**9**	10
Others	**377**	216	**358**	212
	2,523	2,451	**3,906**	2,795

The carrying amounts of the above financial assets represent the BPI Group's maximum exposure to credit risk.

The BPI Group's other financial assets at amortized cost (shown under Other assets, net) generally arise from transactions with various unrated counterparties with good credit standing. The BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss methodology for other financial assets.

26.1.3.4 Loan commitments

Credit risk exposures arising from undrawn loan commitments are as follows:

Consolidated

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
				(In Millions of Pesos)				
Credit grade								
Standard monitoring	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**Included in "Miscellaneous liabilities" in Note 17*

26.1.4 Credit impaired loans and advances

The BPI Group closely monitors collaterals held for financial assets considered to be credit-impaired (Stage 3), as it becomes more likely that the BPI Group will take possession of collateral to mitigate potential credit losses. Loans and advances that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Consolidated

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	38,812	25,167	13,645	35,167	32,383	2,784
Retail loans	19,157	10,096	9,061	16,060	7,845	8,215
Total credit-impaired assets	**57,969**	**35,263**	**22,706**	51,227	40,228	10,999
Fair value of collateral	**21,713**			35,970		

Parent

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	38,813	25,164	13,649	35,117	32,333	2,784
Retail loans	16,604	8,271	8,333	14,254	6,531	7,723
Total credit-impaired assets	**55,417**	**33,435**	**21,982**	49,371	38,864	10,507
Fair value of collateral	**27,654**			35,856		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2023, the BPI Group's foreclosed collaterals have carrying amount of P4,743 million (2022 - P3,760 million). The related foreclosed collaterals have aggregate fair value of P14,424 million (2022 - P12,607 million). Foreclosed collaterals include real estate (land, building, and improvements), auto and chattel. Repossessed properties are sold as soon as practicable and are classified as Assets held for sale in the statement of condition. In 2023, the Parent Bank realized a gain of P83 million (2022 - P81 million loss) from disposals of foreclosed collaterals with book value of P2,149 million (2022 - P1,731 million).

26.1.5 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for impairment is presented for treasury and other investment debt securities and other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
	(In Millions of Pesos)			
Loss allowance, at January 1, 2023	9,855	1,444	32,383	**43,682**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,564)	**(7,219)**
	746	2,041	(6,526)	**(3,739)**
Write-offs and other movements	(5)	(2)	(690)	**(697)**
Loss allowance, at December 31, 2023	**10,596**	**3,483**	**25,167**	**39,246**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
	(In Millions of Pesos)			
Loss allowance, at January 1, 2023	4,045	2,195	7,845	**14,085**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,839)	2,348	4,569	**5,078**
Transfer from Stage 2	116	(1,198)	1,573	**491**
Transfer from Stage 3	6	40	(266)	**(220)**
New financial assets originated	2,744	-	-	**2,744**
Financial assets derecognized during the year	(395)	(107)	(502)	**(1,004)**
Changes in assumptions and other movements in provision	222	(32)	400	**590**
	854	1,051	5,774	**7,679**
Write-offs and other movements	(9)	(4)	(3,523)	**(3,536)**
Loss allowance, at December 31, 2023	**4,890**	**3,242**	**10,096**	**18,228**

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	10,026	1,444	32,333	**43,803**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,567)	**(7,222)**
	746	2,041	(6,529)	**(3,742)**
Write-offs and other movements	(5)	(2)	(640)	**(647)**
Loss allowance, at December 31, 2023	**10,767**	**3,483**	**25,164**	**39,414**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	3,509	2,188	6,531	**12,228**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,049)	2,337	3,315	**4,603**
Transfer from Stage 2	116	(1,152)	1,489	**453**
Transfer from Stage 3	6	40	(252)	**(206)**
New financial assets originated	1,525	-	-	**1,525**
Financial assets derecognized during the year	(112)	(106)	(415)	**(633)**
Changes in assumptions and other movements in provision	142	(74)	96	**164**
	628	1,045	4,233	**5,906**
Write-offs and other movements	(2)	(4)	(2,493)	**(2,499)**
Loss allowance, at December 31, 2023	**4,135**	**3,229**	**8,271**	**15,635**

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	11,318	2,728	23,865	37,911
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,105)	(356)	10,153	8,692
	(1,351)	(1,288)	8,817	6,178
Write-offs and other movements	(112)	4	(299)	(407)
Loss allowance, at December 31, 2022	9,855	1,444	32,383	43,682

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	4,967	1,970	8,916	15,853
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,233)	1,381	2,565	2,713
Transfer from Stage 2	113	(1,324)	1,338	127
Transfer from Stage 3	13	66	(440)	(361)
New financial assets originated	1,669	-	-	1,669
Financial assets derecognized during the year	(519)	(124)	(729)	(1,372)
Changes in assumptions and other movements in provision	(960)	228	(7)	(739)
	(917)	227	2,727	2,037
Write-offs and other movements	(5)	(2)	(3,798)	(3,805)
Loss allowance, at December 31, 2022	4,045	2,195	7,845	14,085

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	10,689	2,709	21,866	35,264
Impact of merger	806	19	1,941	2,766
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,110)	(356)	10,152	8,686
	(1,356)	(1,288)	8,816	6,172
Write-offs and other movements	(113)	4	(290)	(399)
Loss allowance, at December 31, 2022	10,026	1,444	32,333	43,803

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	1,057	920	3,623	5,600
Impact of merger	3,500	1,040	3,869	8,409
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(838)	1,376	1,905	2,443
Transfer from Stage 2	112	(1,291)	1,292	113
Transfer from Stage 3	11	66	(423)	(346)
New financial assets originated	955	-	-	955
Financial assets derecognized during the year	(280)	(123)	(625)	(1,028)
Changes in assumptions and other movements in provision	(1,007)	202	8	(797)
	(1,047)	230	2,157	1,340
Write-offs and other movements	(1)	(2)	(3,118)	(3,121)
Loss allowance, at December 31, 2022	3,509	2,188	6,531	12,228

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 31.3.2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking information incorporated in the ECL models

Three distinct macroeconomic scenarios (baseline, upside and downside) are considered in the BPI Group's estimation of expected credit losses in Stage 1 and Stage 2. These scenarios are based on assumptions supported by economic theories and historical experience. The downside scenario reflects a negative macroeconomic event occurring within the first 12 months, with conditions deteriorating for up to two years, followed by a recovery for the remainder of the period. This scenario is grounded in historical experience and assumes a monetary policy response that returns the economy to a long-run, sustainable growth rate within the forecast period. The probability of each scenario is determined using expert judgment and recession probability tools provided by reputable external service providers. The baseline case incorporates the BPI Group's outlook both for the domestic and global economy. The upside and downside scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome, respectively.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any climate, regulatory, legislative or political changes is likewise considered as post-model adjustments, if material.

The BPI Group has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The most significant period-end assumptions used for the ECL estimate are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

At December 31, 2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
BVAL 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange rate	54.325	57.325	53.459	55.648	55.648	67.662

At December 31, 2022

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	5.5	5.1	6.7	6.8	4.3	3.4
Inflation rate (%)	3.9	2.8	2.9	1.5	5.0	4.0
BVAL 5Y (%)	7.3	5.8	5.1	3.2	9.4	8.4
US Treasury 5Y (%)	5.5	4.2	3.4	1.5	7.6	6.8
Exchange rate	56.725	56.552	56.379	53.158	57.071	60.148

Sensitivity analysis

The loan portfolios have different sensitivities to movements in MEVs, so the above three scenarios have varying impact on the expected credit losses of the BPI Group's portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment by P247 million as at December 31, 2023 from the baseline scenario (2022 - P15 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P2,626 million as at December 31, 2023 (2022 - P1,059 million).

26.1.6 Concentrations of risks of financial assets with credit risk exposure

The BPI Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
					(In Millions of Pesos)				
Financial and insurance activities	199,619	36,292	20,686	7,415	26,354	15,988	188,185	-	**494,539**
Real estate activities	-	-	-	-	438	3,061	448,479	-	**451,978**
Manufacturing	-	-	-	261	4,260	5,204	300,056	-	**309,781**
Consumer	-	-	-	-	-	-	221,824	-	**221,824**
Transportation, storage and communications	-	-	-	-	1,915	12,453	219,845	-	**234,213**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	-	1,455	6,433	217,264	-	**225,152**
Electricity, gas, steam and air-conditioning supply	-	-	-	18	537	30,803	177,949	-	**209,307**
Others	-	-	-	15,849	180,821	308,800	165,879	3,438	**674,787**
Allowance	-	-	(43)	-	-	(31)	(57,474)	(915)	**(58,463)**
At December 31, 2023	**199,619**	**36,292**	**20,643**	**23,543**	**215,780**	**382,711**	**1,882,007**	**2,523**	**2,763,118**

Consolidated (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
						(In Millions of Pesos)			
Financial and insurance activities	182,869	45,190	12,422	11,145	1,822	18,090	163,038	-	434,576
Real estate activities	-	-	-	2	407	3,955	404,678	-	409,042
Manufacturing	-	-	-	221	2,331	4,525	288,524	-	295,601
Consumer	-	-	-	-	-	-	162,155	-	162,155
Transportation, storage and communications	-	-	-	-	829	11,210	193,222	-	205,261
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	191,816	-	198,160
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,671	-	240,983
Others	-	-	-	10,548	86,327	344,864	148,653	3,402	593,794
Allowance	-	-	(40)	-	-	(11)	(57,767)	(951)	(58,769)
At December 31, 2022	182,869	45,190	12,382	21,941	92,447	420,533	1,702,990	2,451	2,480,803

Parent Bank (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
						(In Millions of Pesos)			
Financial and insurance activities	192,246	33,081	17,385	3,335	26,073	15,264	187,619	-	**475,531**
Real estate activities	-	-	-	31	438	3,061	447,244	-	**450,743**
Manufacturing	-	-	-	85	4,260	4,452	299,068	-	**307,780**
Consumer	-	-	-	-	-	-	202,241	-	**202,241**
Transportation, storage and communications	-	-	-	64	1,915	11,073	218,718	-	**231,706**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	1	1,455	5,489	209,654	-	**216,598**
Electricity, gas, steam and air-conditioning supply	-	-	-	135	537	29,677	177,890	-	**208,121**
Others	-	-	-	13,805	177,764	308,135	162,455	4,742	**666,672**
Allowance	-	-	(43)	-	-	(31)	(55,049)	(836)	**(55,959)**
At December 31, 2023	**192,246**	**33,081**	**17,342**	**17,456**	**212,442**	**377,120**	**1,849,840**	**3,906**	**2,703,433**

Parent Bank (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
						(In Millions of Pesos)			
Financial and insurance activities	178,534	43,096	11,671	7,570	1,822	18,090	162,971	-	423,754
Real estate activities	-	-	-	2	407	3,955	403,380	-	407,744
Manufacturing	-	-	-	221	2,202	4,525	286,928	-	293,876
Consumer	-	-	-	-	-	-	151,910	-	151,910
Transportation, storage and communications	-	-	-	-	829	11,210	191,819	-	203,858
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	186,567	-	192,911
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,636	-	240,948
Others	-	-	-	9,123	84,486	339,366	144,504	3,703	581,182
Allowance	-	-	(40)	-	-	(11)	(56,031)	(908)	(56,990)
At December 31, 2022	178,534	43,096	11,631	16,941	90,477	415,035	1,680,684	2,795	2,439,193

26.1.7 Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Loans and advances	10	**3,940**	8,215	12,765	**2,164**	7,512	10,226
Assets held for sale		**(222)**	411	44	**(223)**	396	20
Interbank loans receivable and SPAR	5	**3**	(6)	5	**3**	(6)	5
Investment securities at amortized cost	9	**20**	5	(7)	**20**	5	(7)
Undrawn loan commitments	32	**198**	287	(212)	**198**	287	(199)
Impairment on equity investment	12	**-**	-	-	**-**	-	60
Accounts receivable	14	**34**	172	83	**12**	160	215
Other assets		**27**	83	457	**28**	83	271
		4,000	9,167	13,135	**2,202**	8,437	10,591

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, and interest rate risk in the banking book.

Market risk management is incumbent on the BOD through the RMC. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In order to effectively manage market risk, the Bank has well established policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from BPI's market-making and risk-taking activities. The BPI Group also has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. To ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to Management to assess the vulnerability of BPI Group's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the BPI Group's goals, objectives, risk appetite, and strategies.

Stress tests indicate the potential losses that could arise in extreme conditions that would have detrimental effect to the BPI Group's positions. The BPI Group periodically performs price stress testing to assess the BPI Group's condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the BPI Group's preparedness in the event of real stress. Results of stress tests are reviewed by Senior Management and by the RMC.

The average daily VaR for the trading portfolios are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Local fixed-income	**50**	28	**47**	27
Foreign fixed-income	**184**	89	**173**	81
Foreign exchange	**214**	131	**118**	48
Derivatives	**158**	180	**158**	115
Equity securities	**14**	24	**-**	-
Mutual fund	**18**	31	**-**	-
	638	483	**496**	271

26.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the BPI Group's exposure to more material foreign currency exchange rate risk primarily in USD, shown in their Peso equivalent at December 31:

Consolidated

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,196	344	**3,540**	2,886	385	3,271
Due from other banks	16,038	12,530	**28,568**	27,638	16,993	44,631
Interbank loans receivable and SPAR	2,287	32	**2,319**	4,553	524	5,077
Financial assets at FVTPL	12,745	455	**13,200**	6,537	1,111	7,648
Financial assets at FVOCI - debt securities	51,353	1,143	**52,496**	23,336	1,083	24,419
Investment securities at amortized cost	138,928	1,768	**140,696**	141,692	2,597	144,289
Loans and advances, net	115,324	5,284	**120,608**	139,617	6,171	145,788
Others financial assets	22,429	1	**22,430**	35,983	1	35,984
Total financial assets	362,300	21,557	**383,857**	382,242	28,865	411,107
Financial liabilities						
Deposit liabilities	271,646	17,685	**289,331**	269,677	37,096	306,773
Due to BSP and other banks	1,149	-	**1,149**	2,284	-	2,284
Derivative financial liabilities	1,568	449	**2,017**	2,109	928	3,037
Bills payable	53,497	-	**53,497**	67,158	-	67,158
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	475	3	**478**	346	2	348
Other financial liabilities	712	1	**713**	121	2	123
Total financial liabilities	329,256	18,139	**347,395**	341,905	38,036	379,941
Net on-balance sheet position	33,044	3,418	**36,462**	40,337	(9,171)	31,166

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,195	344	**3,539**	2,886	385	3,271
Due from other banks	15,701	12,510	**28,211**	27,330	16,975	44,305
Interbank loans receivable and SPAR	2,214	-	**2,214**	4,460	-	4,460
Financial assets at FVTPL	11,661	385	**12,046**	6,107	910	7,017
Financial assets at FVOCI - debt securities	50,898	1,143	**52,041**	22,792	1,066	23,858
Investment securities at amortized cost	134,797	303	**135,100**	137,606	1,180	138,786
Loans and advances, net	111,902	659	**112,561**	134,884	5,212	140,096
Others financial assets	22,429	-	**22,429**	35,982	-	35,982
Total financial assets	352,797	15,344	**368,141**	372,047	25,728	397,775
Financial liabilities						
Deposit liabilities	270,759	17,566	**288,325**	268,592	36,978	305,570
Due to BSP and other banks	1,149	-	**1,149**	2,209	-	2,209
Derivative financial liabilities	1,520	449	**1,969**	2,090	928	3,018
Bills payable	50,119	-	**50,119**	62,656	-	62,656
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	208	3	**211**	346	2	348
Other financial liabilities	712	-	**712**	121	2	123
Total financial liabilities	324,676	18,019	**342,695**	336,224	37,918	374,142
Net on-balance sheet position	28,121	(2,675)	**25,446**	35,823	(12,190)	23,633

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Presented below is a sensitivity analysis demonstrating the impact on pre-tax income of reasonably possible change in the exchange rate between US Dollar and Philippine Peso. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso year on year.

Year	Change in currency	Effect on pre-tax income	
		Consolidated	**Parent**
		(In millions of Pesos)	
2023	**+/-1.42%**	**+/- 469**	**+/- 399**
2022	+/-4.82%	+/- 1,948	+/- 1,727

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current and prospective risk to the BPI Group's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions (core banking activities). The BPI Group is exposed to interest rate risk arising from financial assets and liabilities that have different maturities and repricing schedules and are re-priced taking into account the prevailing market interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the BPI Group's earnings and capital base.

The BPI Group employs two methods to measure the potential impact of interest rate risk in the banking book: (i) one that focuses on the impact on economic value of the future cash flows in the banking book due to changes in interest rates - Balance Sheet VaR (BSVaR), and (ii) one that focuses on the potential deterioration in net interest earnings - Earnings-at-Risk (EaR). The RMC sets limits on the two interest rate risk metrics which are monitored daily by the Market and Liquidity Risk Management Division of the RMO. The EaR and BSVaR are built on the interest rate/repricing gap profile of the bank.

The interest rate gap is the difference between the amount of interest rate sensitive assets and liabilities and off-balance sheet items. It distributes the balance sheet accounts according to their contractual maturity if fixed, or repricing date if floating. For accounts that do not have defined maturity or repricing schedules (i.e., non-maturity deposits), and accounts with embedded optionality (i.e., time deposit pretermination, fixed-rate loan prepayment), historical patterns/behaviors are utilized and assessed to determine their expected repricing schedules. These behavioral assumptions are derived from historical customer behavior and are regularly back tested to ensure accuracy and propriety of these assumptions. Interest rate derivatives are used to hedge banking book interest rate exposures, and these are also included in the repricing gap analysis. There were no outstanding interest rate hedges as at December 31, 2023 and 2022.

Earnings-at-Risk (EaR)

The EaR is built on the repricing profile of the BPI Group and considers principal payments only. The BPI Group projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 to 36 months as earnings are affected when interest rates move against the BPI Group’s position. In determining the appropriate rate shocks in calculating EaR, the daily year-on-year change in rates is determined using the parametric approach at 99% confidence level. The Parent Bank uses more than ten years’ worth of data in deriving the rate shocks. As at December 31, 2023, the net interest income impact of movement in interest rates resulted in an increase of P275 million (2022 - P1,199 million decrease) for the whole BPI Group and an increase of P329 million (2022 - P1,195 million decrease) for the Parent Bank over a short-term (12-month) horizon. Likewise, the net interest income impact of movement in interest rates over the medium-term (36-month) horizon resulted in an increase of P7,019 million (2022 - P371 million decrease) for the whole BPI Group and an increase of P7,005 million (2022 - P501 million decrease) for the Parent Bank.

Balance Sheet Value at Risk (BSVaR)

The BSVaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It measures the deterioration in the economic/present value of the BPI Group's expected net cash flows due to adverse interest rate movements. In determining the appropriate rate shocks in calculating BSVaR, the adverse daily year-on-year change in rates is determined using the historical approach for the past one year at 99% confidence level. As at December 31, 2023, the average monthly BSVaR for the banking book stood at P16,842 million (2022 - P16,861 million) for the whole BPI Group and P15,883 million (2022 - P16,277 million) for the Parent Bank.

The IRRBB levels are closely monitored against RMC-approved limits and results are reported and discussed regularly at the Management level through the Asset and Liability Committee (ALCO) and at the Board level through the RMC. The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests utilizing a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include the following:

- Internal rate shocks scenarios including extreme yet plausible historical stressed events, curve shifting (parallel up/down) and twisting (steepening and flattening yield curves), and forward-looking scenarios; and
- Other rate shocks as prescribed by Basel.

The interest rate shocks applied are calibrated for all major currencies in which the BPI Group has significant positions. The BPI Group also conducts Uniform Stress Testing in accordance with the prescribed scenarios of the BSP.

The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The BPI Group has established comprehensive risk management framework (e.g., policies, procedures, risk limits structures) supported by a robust risk management system. Furthermore, the risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,843	**34,843**
Due from BSP	-	-	-	199,619	**199,619**
Due from other banks	-	-	-	36,292	**36,292**
Interbank loans receivable and SPAR	-	-	-	20,643	**20,643**
Financial assets at FVTPL	150	1,144	1,023	21,226	**23,543**
Financial assets at FVOCI	-	-	-	215,780	**215,780**
Investment securities at amortized cost	-	-	-	382,711	**382,711**
Loans and advances, net	1,096,399	327,690	257,835	200,083	**1,882,007**
Other financial assets	-	-	-	2,523	**2,523**
Total financial assets	1,096,549	328,834	258,858	1,113,720	**2,797,961**
Financial Liabilities					
Deposit liabilities	1,392,507	349,672	552,927	-	**2,295,106**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	672	1,315	**2,821**
Bills payable and other borrowed funds	1,661	-	-	135,443	**137,104**
Manager's checks and demand drafts outstanding	-	-	-	8,463	**8,463**
Other financial liabilities	-	-	-	11,316	**11,316**
Total financial liabilities	1,394,180	350,494	553,599	158,418	**2,456,691**
Total interest gap	(297,631)	(21,660)	(294,741)	955,302	**341,270**

Consolidated (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,613	39,613
Due from BSP	-	-	-	182,869	182,869
Due from other banks	-	-	-	45,190	45,190
Interbank loans receivable and SPAR	-	-	-	12,382	12,382
Financial assets at FVTPL	48	957	2,159	18,777	21,941
Financial assets at FVOCI	-	-	-	92,447	92,447
Investment securities at amortized cost	-	-	-	420,533	420,533
Loans and advances, net	983,901	291,744	292,685	134,660	1,702,990
Other financial assets	-	-	-	2,451	2,451
Total financial assets	983,949	292,701	294,844	948,922	2,520,416
Financial Liabilities					
Deposit liabilities	1,272,993	337,648	485,360	-	2,096,001
Due to BSP and other banks	-	-	-	2,887	2,887
Derivative financial liabilities	28	879	1,154	2,236	4,297
Bills payable and other borrowed funds	2,176	-	-	95,327	97,503
Manager's checks and demand drafts outstanding	-	-	-	6,755	6,755
Other financial liabilities	-	-	-	6,138	6,138
Total financial liabilities	1,275,197	338,527	486,514	113,343	2,213,581
Total interest gap	(291,248)	(45,826)	(191,670)	835,579	306,835

Parent Bank (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,444	**34,444**
Due from BSP	-	-	-	192,246	**192,246**
Due from other banks	-	-	-	33,081	**33,081**
Interbank loans receivable and SPAR	-	-	-	17,342	**17,342**
Financial assets at FVTPL	150	1,144	1,023	15,139	**17,456**
Financial assets at FVOCI	-	-	-	212,442	**212,442**
Investment securities at amortized cost	-	-	-	377,120	**377,120**
Loans and advances, net	1,091,862	327,352	257,263	173,363	**1,849,840**
Other financial assets	-	-	-	3,906	**3,906**
Total financial assets	1,092,012	328,496	258,286	1,059,083	**2,737,877**
Financial Liabilities					
Deposit liabilities	1,368,484	346,892	548,757	-	**2,264,133**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	673	1,267	**2,774**
Bills payable and other borrowed funds	-	-	-	133,726	**133,726**
Manager's checks and demand drafts outstanding	-	-	-	8,431	**8,431**
Other financial liabilities	-	-	-	10,721	**10,721**
Total financial liabilities	1,368,496	347,714	549,429	156,026	**2,421,666**
Total interest gap	(276,484)	(19,218)	(291,143)	903,057	**316,211**

Parent Bank (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
			(In Millions of Pesos)		
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,359	39,359
Due from BSP	-	-	-	178,534	178,534
Due from other banks	-	-	-	43,096	43,096
Interbank loans receivable and SPAR	-	-	-	11,631	11,631
Financial assets at FVTPL	48	957	2,159	13,777	16,941
Financial assets at FVOCI	-	-	-	90,477	90,477
Investment securities at amortized cost	-	-	-	415,035	415,035
Loans and advances, net	976,541	291,337	292,618	120,188	1,680,684
Other financial assets	-	-	-	2,794	2,794
Total financial assets	976,589	292,294	294,777	914,891	2,478,551
Financial Liabilities					
Deposit liabilities	1,265,986	335,084	481,514	-	2,082,584
Due to BSP and other banks	-	-	-	2,811	2,811
Derivative financial liabilities	28	879	1,154	2,192	4,253
Bills payable and other borrowed funds	-	-	-	93,002	93,002
Manager's checks and demand drafts outstanding	-	-	-	6,751	6,751
Other financial liabilities	-	-	-	5,542	5,542
Total financial liabilities	1,266,014	335,963	482,668	110,298	2,194,943
Total interest gap	(289,425)	(43,669)	(187,891)	804,593	283,608

26.3 Liquidity risk

Liquidity risk is the risk that the BPI Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The BPI Group's liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the BPI Group. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months is about to breach the RMC-prescribed MCLG limit.

26.3.1 Liquidity risk management process

The BPI Group's liquidity management process, as carried out within the BPI Group and monitored by the RMC includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity gaps and ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Note 26.3.2) and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Parent Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the BPI Group's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Parent Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. This serves as defense against potential stress events.

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Significant portion of funding comes from retail and wholesale deposits, and unsecured wholesale funding. The Parent Bank has derivatives exposures in foreign exchange derivatives and interest rate swaps. Cash outflows from the derivatives contracts are effectively offset by the derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively. The exposures coming from derivatives and potential counterparty collateral calls are not significant to impact the LCR, with Parent Bank's Peso and USD LCR both well above the minimum regulatory limit of 100%. There is also no significant currency mismatch noted in the LCR.

The Parent Bank manages its liquidity position through line of business and asset-liability management activities. A centralized approach to funding and liquidity management enhances the Parent Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Parent Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Parent Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the BPI Group. The NSFR is expressed as the ratio of Available Stable Funding (ASF) and the Required Stable Funding and complements the LCR as it takes a longer view of the BPI Group's liquidity risk profile. The BPI Group's capital, retail deposits and long-term debt are considered as stable funding sources whereas the BPI Group's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance items form part of the required stable funding. The Parent Bank's solo and consolidated NSFRs are well-above the regulatory minimum of 100%.

The Parent Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Parent Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Parent Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Parent Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the BPI Group and the Parent Bank:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Liquidity coverage ratio	**206.67%**	194.52%	**207.35%**	194.37%
Net stable funding ratio	**153.55%**	148.81%	**152.54%**	148.02%
Leverage ratio	**10.95%**	10.71%	**10.38%**	10.08%
Total exposure measure	**2,957,335**	2,669,592	**2,892,222**	2,607,989

The increase in the Parent Bank's LCR was driven by higher HQLA coming from reserves and government securities. Cash, reserves and due from BSP make up 31% (2022 - 33%) of the total stock of HQLA for the year ended December 31, 2023. Likewise, the Parent Bank's NSFR increased driven by higher ASF from deposits and borrowings.

26.3.2 Maturity profile - Non-derivative financial instruments

The tables below present the maturity profile of non-derivative financial instruments based on undiscounted cash flows including future interest which the BPI Group uses to manage the inherent liquidity risk. The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized, or the financial liability will be settled.

Consolidated (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,843	-	-	**34,843**
Due from BSP	199,631	-	-	**199,631**
Due from other banks	36,292	-	-	**36,292**
Interbank loans receivable and SPAR	19,336	1,571	-	**20,907**
Financial assets at FVTPL	6,969	2,334	10,797	**20,100**
Financial assets at FVOCI	51,952	70,326	153,682	**275,960**
Investment securities at amortized cost	82,480	116,931	241,188	**440,599**
Loans and advances	909,354	343,250	740,942	**1,993,546**
Other financial assets	2,523	-	-	**2,523**
Total financial assets	1,343,380	534,412	1,146,609	**3,024,401**
Financial Liabilities				
Deposit liabilities	1,385,666	348,469	543,061	**2,277,196**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	69,861	67,243	-	**137,104**
Manager's checks and demand drafts outstanding	8,463	-	-	**8,463**
Lease liabilities	2,144	4,686	3,230	**10,060**
Other financial liabilities	11,316	-	-	**11,316**
Total financial liabilities	1,479,332	420,398	546,291	**2,446,021**
Total maturity gap	(135,952)	114,014	600,318	**578,380**

Consolidated (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,613	-	-	39,613
Due from BSP	182,879	-	-	182,879
Due from other banks	45,190	-	-	45,190
Interbank loans receivable and SPAR	12,353	51	2	12,406
Financial assets at FVTPL	6,145	1,964	6,500	14,609
Financial assets at FVOCI	12,973	57,426	41,665	112,064
Investment securities at amortized cost	62,896	110,946	314,923	488,765
Loans and advances	888,065	435,069	752,413	2,075,547
Other financial assets	2,451	-	-	2,451
Total financial assets	1,252,565	605,456	1,115,503	2,973,524
Financial Liabilities				
Deposit liabilities	1,268,490	332,382	472,451	2,073,323
Due to BSP and other banks	2,887	-	-	2,887
Bills payable and other borrowed funds	52,227	46,191	-	98,418
Manager's checks and demand drafts outstanding	6,755	-	-	6,755
Lease liabilities	1,896	3,852	4,013	9,761
Other financial liabilities	6,138	-	-	6,138
Total financial liabilities	1,338,393	382,425	476,464	2,197,282
Total maturity gap	(85,828)	223,031	639,039	776,242

Parent Bank (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,444	-	-	**34,444**
Due from BSP	192,246	-	-	**192,246**
Due from other banks	33,081	-	-	**33,081**
Interbank loans receivable and SPAR	16,036	1,571	-	**17,607**
Financial assets at FVTPL	4,544	2,116	10,498	**17,158**
Financial assets at FVOCI	50,373	69,399	152,626	**272,398**
Investment securities at amortized cost	81,802	114,845	237,741	**434,388**
Loans and advances	895,784	321,011	736,857	**1,953,652**
Other financial assets	3,906	-	-	**3,906**
Total financial assets	1,312,216	508,942	1,137,722	**2,958,880**
Financial Liabilities				
Deposit liabilities	1,362,155	345,688	538,892	**2,246,735**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	67,038	66,688	-	**133,726**
Manager's checks and demand drafts outstanding	8,431	-	-	**8,431**
Lease liabilities	1,977	4,385	3,200	**9,562**
Other financial liabilities	10,721	-	-	**10,721**
Total financial liabilities	1,452,204	416,761	542,092	**2,411,057**
Total maturity gap	(139,988)	92,181	595,630	**547,823**

Parent Bank (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,359	-	-	39,359
Due from BSP	178,538	-	-	178,538
Due from other banks	43,096	-	-	43,096
Interbank loans receivable and SPAR	11,602	51	2	11,655
Financial assets at FVTPL	4,595	1,852	6,500	12,947
Financial assets at FVOCI	11,117	57,220	40,939	109,276
Investment securities at amortized cost	62,648	108,971	310,935	482,554
Loans and advances	871,926	421,804	747,813	2,041,543
Other financial assets	2,794	-	-	2,794
Total financial assets	1,225,675	589,898	1,106,189	2,921,762
Financial Liabilities				
Deposit liabilities	1,144,684	290,277	409,293	1,844,254
Due to BSP and other banks	2,811	-	-	2,811
Bills payable and other borrowed funds	49,937	43,830	-	93,767
Manager's checks and demand drafts outstanding	6,751	-	-	6,751
Lease liabilities	1,722	3,639	3,991	9,352
Other financial liabilities	5,542	-	-	5,542
Total financial liabilities	1,211,447	337,746	413,284	1,962,477
Total maturity gap	14,228	252,152	692,905	959,285

26.3.3 Maturity profile - Derivative instruments

- *Derivatives settled on a net basis*

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated and Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	**150**	**1,144**	**1,023**	**2,317**
- Outflow	**(12)**	**(822)**	**(672)**	**(1,506)**
- Net inflow	**138**	**322**	**351**	**811**
Non-deliverable forwards and swaps - held for trading				
- Inflow	**34**	**-**	**-**	**34**
- Outflow	**(172)**	**-**	**-**	**(172)**
- Net outflow	**(138)**	**-**	**-**	**(138)**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	48	957	2,159	3,164
- Outflow	(28)	(879)	(1,154)	(2,061)
- Net inflow	20	78	1,005	1,103
Non-deliverable forwards and swaps - held for trading				
- Inflow	123	356	-	479
- Outflow	(147)	-	-	(147)
- Net outflow	(24)	356	-	332

- *Derivatives settled on a gross basis*

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps and warrants. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	**1,273**	**124**	**49**	**1,446**
- Outflow	**(1,097)**	**(36)**	**(9)**	**(1,142)**
- Net inflow	**176**	**88**	**40**	**304**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	3,385	52	55	3,492
- Outflow	(2,025)	(54)	(9)	(2,088)
- Net inflow	1,360	(2)	46	1,404
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	**1,272**	**124**	**49**	**1,445**
- Outflow	**(1,050)**	**(36)**	**(9)**	**(1,096)**
- Net inflow	**222**	**88**	**40**	**349**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	3,282	52	55	3,389
- Outflow	(1,980)	(54)	(9)	(2,043)
- Net inflow	1,302	(2)	46	1,346
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

26.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

26.4.1 Assets and liabilities measured at fair value on a recurring or non-recurring basis

Consolidated (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:	(In Millions of Pesos)				
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	**3,802**
Trading assets					
- Debt securities	19,741	19,741	-	-	**19,741**
- Equity securities	111	111	-	-	**111**
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	**215,780**
- Equity securities	2,874	1,266	699	909	**2,874**
	242,308	236,898	4,501	909	**242,308**
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	**2,821**
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	**14,424**

Consolidated (December 31, 2022)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,147	-	7,147	-	7,147
Trading assets					
- Debt securities	14,794	14,794	-	-	14,794
- Equity securities	192	191	1	-	192
Financial assets at FVOCI					
- Debt securities	92,447	92,317	130	-	92,447
- Equity securities	2,820	1,709	346	765	2,820
	117,400	109,011	7,624	765	117,400
Financial liabilities					
Derivative financial liabilities	4,297	-	4,297	-	4,297
Non-recurring measurements					
Assets held for sale, net	3,760	-	12,607	-	12,607

Parent Bank (December 31, 2023)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,796	-	3,796	-	**3,796**
Trading assets					
- Debt securities	13,660	13,660	-	-	**13,660**
- Equity securities	-	-	-	-	**-**
Financial assets at FVOCI					
- Debt securities	212,442	212,442	-	-	**212,442**
- Equity securities	1,741	1,043	698	-	**1,741**
	231,639	227,145	4,494	-	**231,639**
Financial liabilities					
Derivative financial liabilities	2,774	-	2,774	-	**2,774**
Non-recurring measurements					
Assets held for sale, net	4,646	-	14,092	-	**14,092**

Parent Bank (December 31, 2022)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,035	-	7,035	-	7,035
Trading assets					
- Debt securities	9,906	9,906	-	-	9,906
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	90,477	90,477	-	-	90,477
- Equity securities	1,676	1,331	345	-	1,676
	109,094	101,714	7,380	-	109,094
Financial liabilities					
Derivative financial liabilities	4,253	-	4,253	-	4,253
Non-recurring measurements					
Assets held for sale, net	3,650	-	12,183	-	12,183

The table below shows the valuation techniques and applicable unobservable inputs used to measure the BPI Group's Level 3 financial instruments (equities classified at FVOCI) as at December 31:

Description	Valuation technique	Unobservable inputs	Amount 2023	2022
Unlisted equity securities	Net asset value; investment multiple	Net asset value; investment multiple	909	765

The investment valuation sensitivity of the underlying portfolio investee company is mainly impacted by the movement in net asset value and investment multiple. At December 31, 2023, if the net asset value and investment had increased/ decreased by 1% with all other variables held constant, net income and equity as at and for the year ended December 31, 2023 would have been P6.82 million (2022 - P5.74 million) higher/lower.

There were no transfers between the fair value hierarchy levels during the years ended December 31, 2023 and 2022.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,843	-	34,843	**34,843**
Due from BSP	199,619	-	199,619	**199,619**
Due from other banks	36,292	-	36,292	**36,292**
Interbank loans receivable and SPAR, net	20,643	-	20,643	**20,643**
Investment securities at amortized cost, net	382,711	364,286	-	**364,286**
Loans and advances, net	1,882,007	-	2,154,136	**2,154,136**
Other financial assets	2,523	-	2,523	**2,523**
Financial liabilities				
Deposit liabilities	2,295,106	-	2,277,196	**2,277,196**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	137,104	133,726	3,378	**137,104**
Manager’s checks and demand drafts outstanding	8,463	-	8,463	**8,463**
Other financial liabilities	11,316	-	11,316	**11,316**
Non-financial assets				
Investment properties	69	-	463	**463**

Consolidated (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,613	-	39,613	39,613
Due from BSP	182,869	-	182,869	182,869
Due from other banks	45,190	-	45,190	45,190
Interbank loans receivable and SPAR, net	12,382	-	12,382	12,382
Investment securities at amortized cost, net	420,533	391,540	-	391,540
Loans and advances, net	1,702,990	-	2,060,167	2,060,167
Other financial assets	2,451	-	2,451	2,451
Financial liabilities				
Deposit liabilities	2,096,001	-	2,073,323	2,073,323
Due to BSP and other banks	2,887	-	2,887	2,887
Bills payable and other borrowed funds	97,503	93,001	4,651	97,652
Manager’s checks and demand drafts outstanding	6,755	-	6,755	6,755
Other financial liabilities	6,138	-	6,138	6,138
Non-financial assets				
Investment properties	74	-	248	248

Parent Bank (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,444	-	34,444	**34,444**
Due from BSP	192,246	-	192,246	**192,246**
Due from other banks	33,081	-	33,081	**33,081**
Interbank loans receivable and SPAR, net	17,342	-	17,342	**17,342**
Investment securities at amortized cost, net	377,120	359,164	-	**359,164**
Loans and advances, net	1,849,840	-	1,923,161	**1,923,161**
Other financial assets	3,906	-	3,906	**3,906**
Financial liabilities				
Deposit liabilities	2,264,133	-	2,246,735	**2,246,735**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	133,726	133,726	-	**133,726**
Manager's checks and demand drafts outstanding	8,431	-	8,431	**8,431**
Other financial liabilities	10,721	-	10,721	**10,721**
Non-financial assets				
Investment properties	58	-	463	**463**

Parent Bank (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,359	-	39,359	39,359
Due from BSP	178,534	-	178,534	178,534
Due from other banks	43,096	-	43,096	43,096
Interbank loans receivable and SPAR, net	11,631	-	11,631	11,631
Investment securities at amortized cost, net	415,035	386,717	-	386,717
Loans and advances, net	1,680,684	-	1,656,995	1,656,995
Other financial assets	2,794	-	2,794	2,794
Financial liabilities				
Deposit liabilities	2,082,584	-	1,844,254	1,844,254
Due to BSP and other banks	2,811	-	2,811	2,811
Bills payable and other borrowed funds	93,002	93,002	-	93,002
Manager's checks and demand drafts outstanding	6,751	-	6,751	6,751
Other financial liabilities	5,542	-	5,542	5,542
Non-financial assets				
Investment properties	64	-	227	227

26.5 Insurance risk management

The non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require BOD's approval.

27 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the BPI Group maintains sufficient capital to absorb unexpected losses, stay in business for the long haul, and satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular No. 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Tier 1 capital	**355,303**	349,160	**355,255**	349,113
Tier 2 capital	**18,792**	16,929	**18,414**	16,634
Gross qualifying capital	**374,095**	366,089	**373,669**	365,747
Less: Regulatory adjustments/required deductions	**31,359**	63,351	**55,040**	86,177
Total qualifying capital	**342,736**	302,738	**318,629**	279,570
Risk weighted assets	**2,118,317**	1,890,562	**2,058,301**	1,835,412
CAR (%)	**16.18**	16.01	**15.48**	15.23
CET1 (%)	**15.29**	15.12	**14.59**	14.33

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission (IC), SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

28 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

29 Subsequent event

BPI and RBC Merger

As the merger between the Parent Bank and RBC was agreed to be effective on the first day of the calendar quarter following the completion of the regulatory approval, the merger is effective January 1, 2024 (Note 30.3).

In line with this, the Parent Bank issued 314 million common shares on January 1, 2024 bringing the total issued and outstanding shares to 5.36 billion shares.

30 Other disclosures

30.1 BPI and BFB merger

On January 1, 2022, the merger of BPI and BFB, its wholly owned thrift bank subsidiary, officially took effect, with BPI as the surviving entity. The Parent Bank has secured all necessary approvals for the transaction from its regulatory agencies and shareholders.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

Purchase consideration

On January 1, 2022, the Parent Bank issued common shares to BFB amounting to the net assets of the latter as reflected in the standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, issued treasury shares as a consideration of the merger. The number of treasury shares issued was computed based on the net assets of BFB as of December 31, 2020 over the share price of the Parent Bank as of December 29, 2020. The details are as follows:

	Amount
	(In Thousands of Pesos, except share price and number of treasury shares)
Net assets of BFB as of December 31, 2020	
Total assets	287,090,333
Total liabilities	254,047,648
	33,042,685
Share price of BPI as of December 29, 2020	P81.35
Number of treasury shares issued	406,179,276

These treasury shares are expected to be sold or disposed of by the Parent Bank within six (6) months following the effective date of the merger in accordance with Chapter 3, Section 10 of the General Banking Law of 2000 (Republic Act 8791).

Net assets acquired

Details of BFB assets and liabilities as at acquisition date (January 1, 2022) and December 31, 2020 are as follows:

	January 1, 2022	December 31, 2020
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	982,150	1,004,339
Due from BSP	67,065,132	17,846,031
Due from other banks	10,152,692	4,935,660
Interbank loans receivable and securities purchased under agreements to resell	-	3,631,258
Financial assets at fair value through profit or loss	101,960	-
Financial assets at fair value through other comprehensive income	16,220,549	6,802,621
Investment securities at amortized cost, net	-	24,233,039
Loans and advances, net	228,649,520	219,636,857
Assets held for sale, net	2,639,361	2,452,159
Bank premises, furniture, fixtures and equipment, net	1,713,807	1,791,553
Deferred income tax assets	3,448,694	3,885,474
Other assets, net	686,981	871,342
	331,660,846	287,090,333
Liabilities assumed		
Deposit liabilities	274,766,919	234,582,648
Other borrowed funds	9,583,528	9,544,988
Manager's checks and demand drafts outstanding	1,676,663	1,644,409
Accrued taxes, interest and other expenses	1,698,772	1,734,264
Deferred credits and other liabilities	11,018,995	6,541,339
	298,744,877	254,047,648
Net assets	32,915,969	33,042,685

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill; Other reserves

As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method following the guidance under the PIC Q&A No. 2018-06. In applying the pooling of interests method, all assets and liabilities of BFB are taken into the merged business at their carrying values with no restatement of comparative 2020 figures. Likewise, no goodwill was recognized as a result of a business combination.

The difference between the carrying amount of the net assets acquired and the purchase consideration shall be an addition/deduction to the other reserves balance as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	33,042,685
Carrying amount of net assets acquired	32,915,969
Other reserves (addition to capital funds)	126,716

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items pertaining to undrawn loan commitments within the scope of PFRS 9. Details of such liabilities are as follows:

	Amount
	(In Thousands of Pesos)
Undrawn loan commitments	6,422,982
Loss allowance	(18,984)
Carrying amount	6,403,998

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount
	(In Thousands of Pesos)
Corporate loans	
Large corporate customers	15,135,453
Small and medium enterprises	17,916,051
Retail loans	
Real estate mortgages	151,807,726
Auto loans	51,177,718
Credit cards	1,922,634
Others	174
	237,959,756
Accrued interest receivable	1,972,675
Unearned discount/income	(107,809)
	239,824,622
Allowance for impairment	(11,175,102)
Net carrying amount	228,649,520
Fair value	292,693,036

The details of the other receivables, net, which form part of Other assets, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	In Thousands of Pesos
Gross carrying amount	256,831
Allowance for impairment	(136,311)
Net carrying amount	120,520
Fair value	120,520

iii. Revenue and profit contribution

In accordance with the Plan of Merger between the Parent Bank and BFB, any net income earned by the latter from January 1, 2021 until the effective date shall be declared and paid as dividends to the Parent Bank. On December 29, 2021, the BOD of BFB declared cash dividends amounting to P3,532 million (P353 per share) out of its unrestricted surplus payable to the Parent Bank as at December 29, 2021. The remaining net income after dividend declaration amounting to P18 million formed part of Other reserves (Note 18) upon effectivity of the merger.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2022. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	982,150
Due from BSP	67,065,132
Due from other banks	10,152,692
	78,199,974

v. Acquisition-related costs

Acquisition-related costs of P121 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2021 until effectivity of the merger.

30.2 Regulatory treatment of restructured loans for purposes of measuring expected credit losses

On October 14, 2021, the Monetary Board approved the guidelines on restructured loans under BSP Memorandum No. M-2021-056 which shall be effective until December 31, 2022.

Key points of the issuance include:

- Establishment of prudent criteria in the assessment and modification of terms and conditions of loans.
- Classification under Stage 1, 2, or 3 shall be based on the assessment of the borrowers' financial difficulty and ability to pay based on revised terms.
- Restructured loans should not automatically be considered as credit-impaired warranting classification as non-performing. It will only be classified as such when it falls under Stage 3.
- Monitoring of list of restructured loans including risk classification, staging, and provisioning.

The Bank adopted the BSP guidelines also for prudential reporting purposes of its corporate and business banking loan portfolio beginning January 1, 2022. Following the reprieve requirements, the Bank implemented a process to identify and evaluate accounts that were qualified under the regulations and applied the necessary internal risk controls for qualified exposures from credit evaluation to credit monitoring and risk reporting. As at December 31, 2022, Modified Loans consist 0.01% of total corporate loan portfolio, while Restructured-Modified Loans consist 0.12% of the total corporate loan portfolio. As at December 31, 2022, there are no past due or non-performing loans which availed the reprieve under BSP M-2021-056.

30.3 BPI and RBC merger

On September 30, 2022, the BOD of BPI approved the merger of BPI and RBC, subject to shareholders and regulatory approvals. In exchange, BPI shall issue to the RBC shareholders such number of BPI common shares as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of BPI as of the closing date but in no case more than 314,003,992 shares.

Subsequently, the BOD of BPI in its meeting on December 14, 2022 amended the previous resolution dated September 30, 2022 to increase the number of BPI common shares that may be issued to the RBC shareholders pursuant to the proposed merger from “in no case more than 314,003,992 primary common shares” to “in no case more than 318,912,309 primary common shares.”

On January 17, 2023, the shareholders of BPI approved the merger with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger will be effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the December 31, 2023 and 2022 financial statements of the BPI Group do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI’s expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares to be issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount (In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,191
Financial assets at FVOCI	7,098,491
Investment securities at amortized cost, net	26,391,007
Loans and advances, net	111,444,574
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	953,683
Investment properties	2,583,060
Branch licenses	380,510
Deferred tax asset, net	919,713
Other assets, net	2,685,605
Core deposits	6,935,408
Customer relationship	423,690
Trust business	9,684
Deferred tax asset - fair value (FV) adjustments	1,893,968
	188,710,366
Liabilities assumed	
Deposit liabilities	
Demand	27,640,996
Savings	91,837,208
Time	21,156,959
Long-term negotiable certificate of deposits	1,781,750
Derivative financial liabilities	24
Bills payable	14,951,631
Manager's checks	1,103,883
Accrued taxes, interest and other expenses	1,388,443
Other liabilities	4,137,608
Deferred tax liability - FV adjustments	627,291
	164,625,793
Net assets	24,084,573

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount (In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	24,084,573
Goodwill	8,509,041

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. *Contingencies and commitments acquired*

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount
	(In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

**The trust accounts will be transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.*

ii. *Acquired receivables*

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	(In Thousands of Pesos)
Receivables from customers	
Commercial	62,743,614
Real estate	36,235,122
Consumption	11,145,903
Credit cards	1,809,555
Domestic bills purchased	573,816
Other receivables	
Accrued interest receivable	1,433,010
Accounts receivable	1,670,012
Sales contract receivable	321,023
	115,932,055
Unearned interest and discounts	(70,408)
	115,861,647
Allowance for credit losses	(2,993,718)
Net carrying amount	112,867,929
Fair value	111,444,574

iii. *Revenue and profit contribution*

There is no revenue and profit contribution for the year ended December 31, 2023 as the merger will be effective on January 1, 2024.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount (In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
	20,571,262

v. Acquisition-related costs

Acquisition-related costs of P179 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2023 until effectivity of the merger.

31 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

31.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as Financial Reporting Standards Council) and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the IC.

The financial statements comprise the statements of condition, statements of income and statements of total comprehensive income shown as two statements, statements of changes in capital funds, statements of cash flows and the notes.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, financial assets at FVOCI, and plan assets of the BPI Group's defined benefit plans.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the BPI Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the BPI Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are shown below:

Critical accounting estimates
- Fair value of derivatives and other financial instruments (Note 7)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Impairment of investments subsidiaries and associates (Note 12)
- Calculation of defined benefit obligation (Note 23)
- Measurement of expected credit losses for loans and advances (Note 26.1.4)

Critical accounting judgments
- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)
- Determining the lease term (Note 20)
- Determining the incremental borrowing rate (Note 20)

31.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support these amendments, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 31 series.

(b) New standard not yet adopted by the BPI Group

The following new accounting standard is not mandatory for December 31, 2023 reporting period and has not been early adopted by the BPI Group:

- *PFRS 17, 'Insurance Contracts'*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB. The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.

31.3 Financial instruments

31.3.1 Measurement methods

Amortized cost and effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on Note 31.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 31.3.2.1 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the BPI Group recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

31.3.2 Financial assets

31.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at FVTPL, FVOCI, and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The BPI Group's amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within "Securities trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

The business model reflects how the BPI Group manages the assets in order to generate cash flows. That is, whether the BPI Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at FVTPL. Factors considered by the BPI Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the BPI Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the BPI Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The BPI Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The BPI Group subsequently measures all equity investments at FVTPL, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other operating income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Securities trading gain" in the statements of income.

31.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:

- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses including post-model adjustments, as applicable, at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information both in the ECL models and post-model adjustments, as applicable.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2023 and December 31, 2022.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Determination of SICR

The BPI Group compares the probabilities of default occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition to determine SICR. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category (refer to Note 26.1.2 for the description of special monitoring); and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the BPI Group.

Measuring ECL - Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

(a) The PD represents the likelihood that the borrower will default (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

(b) EAD is based on the amounts the BPI Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the BPI Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For committed credit lines, the EAD is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

(c) LGD represents the BPI Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The LGDs are determined based on the factors which impact the recoveries made post-default.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change - are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

The BPI Group incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. MEVs that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The BPI Group's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgment and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month expected credit losses. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The BPI Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the BPI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the BPI Group's expected credit loss calculations.

The BPI Group's definition of default is substantially consistent with non-performing loan definition of the BSP. For cross-border, treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

31.3.3 Modification of loans

The BPI Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the BPI Group assesses whether or not the new terms are substantially different to the original terms. The BPI Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BPI Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BPI Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the BPI Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

31.3.4 Derecognition of financial assets other than modification

The BPI Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the BPI Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.5 Write-off of financial assets

The BPI Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the BPI Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The BPI Group may write-off financial assets that are still subject to enforcement activity. The write-off of loans is approved by the BOD in compliance with the BSP requirements. Loans written-off are fully covered with allowance.

Recoveries on charged-off assets

Collections on accounts or recoveries from impaired financial assets previously written off are recognized in profit or loss under Miscellaneous income in the period where the recovery transaction occurs.

31.3.6 Financial liabilities

31.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as "Securities trading gain". The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at FVTPL fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager's checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

31.3.6.2 Subsequent measurement and derecognition

Financial liabilities at FVTPL are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.7 Loan commitments

Loan commitments are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument.

31.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in "Securities trading gain".

31.3.8.1 Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the BPI Group assesses the entire contract for classification and measurement in accordance with the policy outlined in Note 31.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at FVTPL.

31.3.9 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at December 31, 2023 and 2022 (Note 26.4.1).

31.3.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

31.3.11 Cash and cash equivalents

Interbank loans receivable and securities purchased under agreements to resell (SPAR) are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

31.3.12 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks and customers and included in the statement of condition under "Interbank loans receivable and securities purchased under agreements to resell". Securities lent to counterparties are also retained in the financial statements.

31.4 Consolidation

The subsidiaries' financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank's subsidiaries.

(a) Subsidiaries

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

(b) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

(c) Business combination between entities under common control

Business combinations under common control are accounted for using the pooling of interest method following the guidance under the PIC Q&A No. 2018-06. Under this method, the Parent Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

(d) Business combination under PFRS 3

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any, and fair value of any pre-existing equity interest in the acquiree, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Measurement period

The quantitative information disclosed in Note 30.3 are provisional amounts as at audit report date. PFRS 3 allows a one year measurement period for the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

31.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

31.6 Segment reporting

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

31.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction-in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements.

Land is carried at historical cost and is not depreciated. Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2023 and 2022.

31.8 Investment properties

Properties that are held either to earn rental income or for capital appreciation or both, and that are not significantly occupied by the BPI Group are classified as investment properties. Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

(a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
(c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
(d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Transfers to and from investment property do not result in gain or loss.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

31.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

(a) Investment property is accounted for using the cost model under PAS 40;
(b) Bank-occupied property is accounted for using the cost model under PAS 16; and
(c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

31.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BPI Group's share in the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under Other assets, net in the statements of condition. Goodwill on acquisitions of associates is included in Investments in subsidiaries and associates. Separately recognized goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary/associate include carrying amount of goodwill relating to the subsidiary/associate sold.

Goodwill is an indefinite-lived intangible asset and hence not subject to amortization.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by each primary reporting segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have finite useful lives of ten years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Contractual customer relationships are included under Other assets, net in the statements of condition.

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over the expected useful lives (three to five years). Computer software is included under Other assets, net in the statements of condition.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the BPI Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other assets to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Management contracts

Management contracts are recognized at fair value at the acquisition date. They have a finite useful life of five years and are subsequently carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method over the estimated useful life of the contract. Management contracts are included under Other assets in the statement of condition.

31.11 Impairment of non-financial assets

Assets that have indefinite useful lives - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

31.12 Borrowings and borrowing costs

The BPI Group's borrowings consist mainly of bills payable and other borrowed funds. Borrowings are recognized initially at fair value, which is the issue proceeds, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. The BPI Group has no qualifying asset as at December 31, 2023 and 2022. Borrowings derecognized when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Statements of Income as other income.

31.13 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

31.14 Credit card income

Credit card arrangements involve numerous contracts between various parties. The BPI Group has determined that the more significant contracts within the scope of PFRS 15 are (1) the contract between the BPI Group and the credit card holder ('Cardholder Agreement') under which the BPI Group earn miscellaneous fees (e.g., annual membership fees, late payment fees, foreign exchange fees, etc.) and (2) an implied contract between the BPI Group and merchants who accept the credit cards in connection with the purchase of their goods and/or services ('Merchant Agreement') under which the BPI Group earn interchange fees.

The Cardholder Agreement obligates the BPI Group, as the card issuer, to perform activities such as process redemption of loyalty points by providing goods, services, or other benefits to the cardholder; provide ancillary services such as concierge services, travel insurance, airport lounge access and the like; process late payments; provide foreign exchange services and others. The amount of fees stated in the contract represents the transaction price for that performance obligation.

The implied contract between the BPI Group and the merchant results in the BPI Group receiving an interchange fee from the merchant. The interchange fee represents the transaction price associated with the implied contract between the BPI Group and the merchant because it represents the amount of consideration to which the BPI Group expects to be entitled in exchange for transferring the promised service (i.e., purchase approval and payment remittance) to the merchant. The performance obligation associated with the implied contract between the BPI Group and the merchant is satisfied upon performance and simultaneous consumption by the customer of the underlying service. Therefore, a portion of the interchange fee is allocated to the performance obligations based on stand-alone transaction price and revenue is recognized when these performance obligations are satisfied.

31.15 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) *Foreign subsid*iaries

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(c) *Income from foreign exchange trading*

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

31.16 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

31.17 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Income tax expense - Current.

(b) Deferred income tax

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

31.18 Employee benefits

(a) Short-term benefits

The BPI Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Defined benefit costs comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when the plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest income or expense in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The BPI Group also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the BPI Group pays fixed contributions based on the employees' monthly salaries. The BPI Group, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the BPI Group accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The BPI Group and Parent Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) then, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in the other comprehensive income.

(d) Share-based compensation

The BPI Group engages in equity-settled share-based payment transactions in respect of services received from certain employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of employee services received in respect of the shares or share options granted is recognized in profit or loss (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (par value) and share premium for the excess of exercise price over par value.

(e) Bonus plans

The BPI Group recognizes a liability and an expense for bonuses and recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

31.19 Capital funds

Treasury shares

Except for dividends to be settled through BPI's own shares which are recognized in equity, dividends on common shares are recognized as a liability in the BPI Group's financial statements in the period in which the dividends are approved by the BOD.

Cash dividends are measured based on the amount declared by the BPI Group. Treasury shares declared as dividends are measured at its fair value at the time of declaration. Any costs attributable to the distribution of treasury shares are deducted from fair value and recognized within equity.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method and the difference between the results of operations of BFB during the year ended December 31, 2021 and the dividends declared on December 29, 2021.

31.20 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

31.21 Leases

31.21.1 BPI Group is the lessee

Measurement of lease liabilities

Lease payments to be made under reasonably certain extension options are included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Measurement of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The BPI Group accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the BPI Group:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the BPI Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The BPI Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statements of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

31.21.2 BPI Group is the lessor

BPI Group (as a lessor) continues to classify its leases as operating leases.

31.22 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; and (d) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The material provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (b) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (c) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

32 Supplementary information required under BSP Circular No. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

(i) Basic Quantitative Indicators of Financial Performance

The key financial performance indicators follow (in %):

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
Return on average equity				
- Daily average[1]	**15.35**	13.14	**15.71**	13.02
- Simple average[2]	**15.22**	12.88	**15.76**	13.64
Return on average assets				
- Daily average[3]	**1.93**	1.59	**1.91**	1.52
- Simple average[4]	**1.88**	1.58	**1.87**	1.61
Net interest margin				
- Daily average[5]	**4.09**	3.59	**3.93**	3.47
- Simple average[6]	**3.98**	3.55	**3.82**	3.68

[1]*Net income divided by average total equity for the period indicated. Average equity is based on the daily average balance of equity for the years ended December 31, 2023 and 2022.*
[2]*Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.*
[3]*Net income divided by average total assets as at period indicated. Average total assets are based on the daily average balance of total assets as at December 31, 2023 and 2022.*
[4]*Net income divided by average total assets as at period indicated. Average total assets are based on the year-on-year balance of total assets as at December 31, 2023 and 2022.*
[5]*Net interest income divided by average interest-earning assets. Average interest earning assets is based on the daily average balance of interest earning assets as at December 31, 2023 and 2022.*
[6]*Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2023 and 2022.*

(ii) Description of Capital Instrument Issued

BPI considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2023 and 2022.

Significant credit exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector over total loan portfolio (in %) as at December 31 are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**23.12**	22.98	**23.48**	15.88
Manufacturing	**15.47**	16.39	**15.70**	19.21
Consumer	**11.44**	9.21	**10.62**	6.21
Transportation, storage and communications	**11.33**	10.74	**11.48**	11.04
Wholesale and retail trade	**11.20**	10.42	**11.01**	11.98
Financial institutions	**9.70**	9.26	**9.85**	10.88
Electricity, gas, steam and air-conditioning supply	**9.18**	11.85	**9.34**	12.01
Agriculture and forestry	**1.73**	1.91	**1.75**	2.23
Others	**6.83**	7.24	**6.77**	10.56
	100.00	100.00	**100.00**	100.00

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**138.44**	115.90	**148.97**	67.71
Manufacturing	**92.63**	82.63	**99.62**	81.88
Consumer	**68.48**	46.44	**67.37**	26.48
Transportation, storage and communications	**67.87**	55.34	**72.85**	54.94
Wholesale and retail trade	**67.07**	52.56	**69.83**	51.07
Financial institutions	**58.09**	46.69	**62.49**	46.40
Electricity, gas, steam and air-conditioning supply	**54.93**	59.76	**59.25**	59.76
Agriculture and forestry	**10.36**	9.63	**11.11**	9.51
Others	**40.84**	35.32	**43.00**	31.85

Breakdown of total loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses, as reported to the BSP, are as follows:

Consolidated

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
	(In Millions of Pesos)					
Corporate loans	**1,483,876**	**16,662**	**1,500,538**	1,385,660	14,502	1,400,162
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**282,627**	**13,666**	**296,293**	242,496	13,407	255,903
	1,891,109	**35,435**	**1,926,544**	1,718,671	30,879	1,749,550
Allowance for probable losses	**(11,154)**	**(22,726)**	**(33,880)**	(6,934)	(21,415)	(28,349)
Net carrying amount	**1,879,955**	**12,709**	**1,892,664**	1,711,737	9,464	1,721,201

**Amounts exclude accrued interest receivables and GLLP*

Parent

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	**1,483,636**	**16,635**	**1,500,271**	1,385,211	14,428	1,399,639
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**251,171**	**11,735**	**262,906**	220,904	12,038	232,942
	1,859,413	**33,477**	**1,892,890**	1,696,630	29,436	1,726,066
Allowance for probable losses	**(11,336)**	**(21,280)**	**(32,616)**	(7,116)	(20,359)	(27,475)
Net carrying amount	**1,848,077**	**12,197**	**1,860,274**	1,689,514	9,077	1,698,591

**Amounts exclude accrued interest receivables and GLLP*

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans,* states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(iii) Information on Related Party Loans

Details of related party loans are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Loans and advances from:				
Subsidiaries	**-**	-	**87**	34
Associates	**113**	42	**113**	42
Ayala Group	**61,567**	64,654	**61,567**	64,654
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Subsidiaries	**-**	-	**0.14**	0.05
Associates	**0.18**	0.06	**0.18**	0.06
Ayala Group	**99.82**	99.94	**99.68**	99.89
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Unsecured related party loans	**8.82**	63.77	**8.81**	63.74
Past due related party loans	**-**	-	**-**	-
Non-performing related party loans	**-**	-	**-**	-

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In percentages)			
% to total outstanding loans and advances	**0.97**	1.12	**0.99**	1.13
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**2.30**	2.40	**2.30**	2.40
Past due DOSRI loans	**0.04**	0.02	**0.04**	0.02
Non-performing DOSRI loans	**0.02**	0.03	**0.02**	0.03

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2023 and 2022.

(iv) Secured Liabilities and Assets Pledged as Security

The BPI Group's Bills payable (Note 16) include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As at December 31, 2023 and 2022, part of the bills payable of the Parent Bank is secured by government securities classified as investment securities at amortized cost (Note 9).

Contingencies and commitments arising from off-balance sheet items

The following is a summary of BPI's contingencies and commitments at their equivalent peso amounts as reported to the BSP:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Trust accounts	**1,223,096**	875,063	**-**	-
Derivatives	**319,337**	422,807	**314,881**	413,679
Commitments	**186,611**	148,935	**186,611**	148,935
Financial standby letters of credit - foreign	**30,472**	28,960	**30,472**	28,960
Bills for collection	**22,923**	23,470	**22,923**	23,470
Commercial letters of credit	**11,322**	14,142	**11,322**	14,142
Performance standby letters of credit - foreign	**10,898**	6,045	**10,898**	6,045
Spot foreign exchange contracts	**7,310**	13,264	**7,310**	13,264
Guarantees issued	**2,521**	2,774	**2,521**	2,774
Trade related guarantees	**1,208**	5,203	**1,208**	5,203
Other contingent accounts	**39,712**	160,435	**39,618**	11,536
	1,855,410	1,701,098	**627,764**	668,008

Other contingent accounts pertain to late deposits or payments received, deficiency claims receivable, items held for safekeeping, and items held as collateral.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Undrawn loan commitments	**504,918**	1,143,705	**504,918**	1,143,705
Unused letters of credit	**55,808**	57,148	**55,808**	57,148
Gross carrying amount	**560,726**	1,200,853	**560,726**	1,200,853
Loss allowance	**(1,232)**	(1,034)	**(1,232)**	(1,034)
Carrying amount	**559,494**	1,199,819	**559,494**	1,199,819

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the BPI Group is required to provide a loan with pre-specified terms to the customer. These off-balance sheet items are within the scope of PFRS 9 where the BPI Group estimates that the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to the off-balance sheet items is recognized in “Miscellaneous liabilities” (Note 17).

The BPI Group has no other off-balance sheet items other than the items listed above.

33 Supplementary information required by the Bureau of Internal Revenue

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRSs.

Below is the additional information required by RR No. 15-2010 that is relevant to the Parent Bank. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

(i) Documentary stamp tax

Documentary stamp taxes paid through the Electronic Documentary Stamp Tax System for the year ended December 31, 2023 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	**10,685**
Trade finance documents	**846**
Mortgage documents	**500**
Shares of stocks	**3**
Others	**4**
	12,038

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	2,829	338	3,167
Withholding tax on withdrawal from decedent's account	19	1	20
Final income taxes withheld on interest on deposits and yield on deposit substitutes	5,013	589	5,602
Final income taxes withheld on income payment	2,610	399	3,009
Creditable income taxes withheld (expanded)	727	103	830
Fringe benefit tax	87	31	118
Withholding value-added tax	56	10	66
	11,341	**1,471**	**12,812**

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	6,661	750	7,411
Real property tax	153	-	153
Municipal taxes	338	-	338
Others	100	-	100
	7,252	**750**	**8,002**

Local and national taxes imposed by the government which are incurred under the normal courses of business are part of "Taxes and Licenses" within Other Operating Expense (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has various claims of tax refund pending with tax authorities. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

Bank of the Philippine Islands
Financial Indicators
As at December 31, 2023 and 2022

Ratio	Formula (in Millions of Pesos, except ratios)		Current year	Prior year
			in percentage	
Liquidity ratio	Total current assets divided by total current liabilities		58.53	59.25
	Total current assets	1,343,380		
	Divided by: Total deposits	2,295,106		
	Liquidity ratio	0.5853		
Debt-to-equity ratio	Total liabilities (Bills payable and Bonds payable) divided by total equity		38.38	30.69
	Total liabilities (Bills payable and Bonds payable)	137,104		
	Divided by: Total equity	357,204		
	Debt-to-equity ratio	0.3838		
Asset-to-equity ratio	Total assets divided by total equity		808.61	819.57
	Total assets	2,888,372		
	Divided by: Total equity	357,204		
	Asset-to-equity ratio	8.0861		
Interest rate coverage ratio	Earnings before interest expense, income taxes, depreciation, and amortization		274.24	412.13
	EBITDA	113,048		
	Divided by: Total interest expense	41,222		
	Interest rate coverage ratio	2.7424		
Return on equity	Net income divided by daily average equity		15.35	13.14
	Net income	51,687		
	Divided by: Daily average equity	336,806		
	Return on equity	0.1535		
Return on assets	Net income divided by daily average assets		1.93	1.59
	Net income	51,687		
	Divided by: Daily average assets	2,683,583		
	Return on assets	0.0193		

Net interest margin (NIM)	Net interest income (return on investment less interest expense) divided by daily average net interest bearing assets Net interest income 104,350 Divided by: Daily average Net Interest Bearing Assets 2,551,920 NIM 0.0409	4.09	3.59
Other ratios:			
Average assets to average equity	Daily average assets divided by daily average equity Daily average assets 2,683,583 Divided by: Daily average equity 336,806 Average assets to average equity 7.9678	796.78	826.91
Net interest to average assets (NRFF)	Net interest income divided by daily average assets Net interest income 104,350 Divided by: Daily average assets 2,683,583 NRFF 0.0389	3.89	3.41
Cost to income ratio	Total operating expense divided by total income (Net interest income and Other income) Total operating expense 69,110 Divided by: Total income (Net Interest income and Other income) 138,321 Cost to income ratio 0.4996	49.96	48.93
Cost to asset ratio	Total operating expense divided by daily average assets Total operating expense 69,110 Divided by: Daily average assets 2,683,583 Cost to asset ratio 0.0258	2.58	2.33
Capital to assets ratio	Total equity divided by total assets Total equity 357,204 Divided by: Total assets 2,888,372 Capital to assets ratio 0.1237	12.37	12.20

Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2023
(in Millions of Pesos)

Unappropriated retained earnings, beginning of the year		**121,432**
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (Realized Gain on Sale of FVOCI equity securities)	415	415
		121,847
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	58,298	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	58,298
Unappropriated retained earnings, as adjusted		**63,549**
Add/Less: Net Income (loss) for the current year		**50,053**
Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	557	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	123	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	680
		49,373

(continued)

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	-
		49,373
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	1,647	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	1,422	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	3,069
Adjusted net income/loss		**52,442**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
		-

(continued)

Add/Less:	Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	33,043	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
	Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
	Others	-	**33,043**
Total retained earnings, end of the year available for dividend declaration			**149,034**

BANK OF THE PHILIPPINE ISLANDS

- BPI (EUROPE) PLC 100%
- BPI DIRECT BANKO, INC. a SAVINGS BANK 100%
- BPI CAPITAL CORP. 100%
  - BPI SECURITIES CORP. 100%
- BPI PAYMENTS HOLDINGS INC. 100%
  - AF PAYMENTS, INC. 20%
- BPI INTERNATIONAL FINANCE LIMITED 100%
- BPI REMITTANCE CENTRE HK, LIMITED 100%
- BPI ASSET MANAGEMENT AND TRUST CORPORATION 100%
- BPI WEALTH SINGAPORE PTE. LTD.** 100%
- BPI INVESTMENT MANAGEMENT, INC. 100%
  - ALFM GLOBAL MULTI-ASSET INCOME FUND, INC. 100%
  - ALFM RETAIL CORPORATE FIXED INCOME FUND, INC. 100%
  - ALFM FIXED INCOME FEEDER FUND, INC. 100%
  - ALFM REAL ESTATE INCOME FUND, INC. 100%
- BPI FOREX CORP. 100%
- FGU INSURANCE CORP. 94.62%
  - BPI/MS INSURANCE CORP. 9.45%
- BPI/MS INSURANCE CORP. 41.40%
  - FCS INSURANCE AGENCY 24.92%
- AYALA PLANS, INC. 98.93%
- FEB SPEED INTERNATIONAL 100%
- FEBSTOCK BROKERS INC. 100%
- SANTIAGO LAND DEV'T CORP. 100%
- FIRST FAR EAST DEV'T CORP. 100%
- FILINVEST ALGO FINANCIAL CORP. 100%
- BPI COMPUTER SYSTEMS CORP. 100%
- CITYTRUST REALTY CORP. 40%
- BEACON PROPERTY VENTURES, INC. 20%
- BPI CENTURY TOKYO LEASE & FINANCE CORP 49%
  - BPI CENTURY TOKYO RENTAL CORP. 100%
  - CITYTRUST SECURITIES CORP. 100%
- GLOBAL PAYMENTS ASIA-PACIFIC PHILIPPINES INC. 49%
- BPI AIA LIFE ASSURANCE CORPORATION 47.96%

**Updated as of March 5, 2024*
*** Incorporated on June 20, 2023 with the Accounting and Corporate Regulatory Authority of Singapore; with Capital Market Services license application still pending approval by the Monetary Authority of Singapore*

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

(in Millions of Pesos)

Schedule A - Financial Assets

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Due from Bangko Sentral ng Pilipinas		199,619	
Due from other banks		36,292	
Interbank loans receivable and Securities purchase under agreements to resell		20,643	
Subtotal		256,554	2,935
Financial assets at fair value through profit or loss-Trading securities (*)		19,852	883
Financial assets at fair value through profit or loss-Derivative financial assets		3,802	
Subtotal		23,654	
Financial assets at fair value through other comprehensive income (FVOCI) (*)		218,654	6,176
Investment securities at amortized cost (*)		382,711	14,678
Loans and advances, net		1,882,007	120,900
Others		2,523	-
TOTAL		**2,766,103**	**145,572**

(*) Please refer succeeding pages for the detailed information on these financial assets.

BANK OF THE PHILIPPINE ISLANDS
December 31, 2023

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non-current	Balance at end of period
Nothing to report. Transactions with these parties are made under the normal course of business.							

BANK OF THE PHILIPPINE ISLANDS
December 31, 2023
(in Millions of Pesos)

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
BANK OF THE PHILIPPINE ISLANDS	3	-	3	-	-	-	-
BPI DIRECT BANKO, INC.	768	757	-	-	1,525	-	1,525
BPI CAPITAL CORP.	8	-	-	-	8	-	8
BPI INVESTMENT MANAGEMENT, INC.	2	5	-	-	7	-	7
BPI SECURITIES CORP.	97	18	-	-	115	-	115
BPI CENTURY TOKYO RENTAL CORP.	1	-	1	-	-	-	-
BPI ASSET MANAGEMENT AND TRUST CORP.	45	-	15	-	30	-	30
BPI/MS INSURANCE CORPORATION	5	1	-	-	6	-	6
	929	**781**	**19**	**-**	**1,691**	**-**	**1,691**

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

(in Millions of Pesos)

Schedule D - Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture (Original currency)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in PHP)	Amount shown under caption "Long-term debt" in related balance sheet (in PHP)	Terms of long-term debts
Parent Bank				
Bonds payable	PHP 27,000	27,000	-	Int Rate : 2.81% Frequency of Payment: Quarterly Maturity Date : 01/31/2024 Face Value : PHP 27,000,000,000
Bonds payable	PHP 20,236	20,236	-	Int Rate : 5.75% Frequency of Payment: Quarterly Maturity Date : 07/30/2024 Face Value : PHP 20,300,000,000
Bonds payable	USD 300	16,594	-	Int Rate : 2.50% Frequency of Payment: Semi - Annual Maturity Date : 09/10/2024 Face Value : USD 300,000,000
Bonds payable	PHP 36,371	-	36,371	Int Rate : 6.43% Frequency of Payment: Quarterly Maturity Date : 05/13/2025 Face Value : PHP 36,660,800,000
Bonds payable	USD 250	-	13,824	Int Rate : 6.42% Frequency of Payment: Semi - Annual Maturity Date : 08/25/2026 Face Value : USD 250,000,000
Bills payable	USD 298	-	16,494	Int Rate : 6.33% Frequency of Payment: Quarterly Maturity Date : 08/24/2026 Face Value : USD 300,000,000
Bills payable		3,207	-	Various
SUB-TOTAL		**67,037**	**66,689**	**133,726**
BPI Europe				
Bills payable		2,824	554	Various
TOTAL		**69,861**	**67,243**	**137,104**

BANK OF THE PHILIPPINE ISLANDS
December 31, 2023

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end period
	Nothing to report.	

BANK OF THE PHILIPPINE ISLANDS
December 31, 2023

Schedule F - Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		Nothing to report.		

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

Schedule G - Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights *	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	5,400,000,000	4,945,197,291	5,966,559	2,338,395,880	68,252,333	2,538,549,078
Preferred A Shares	60,000,000	-	-	-	-	-

** Shares granted but not yet exercised*

EXHIBIT B

(List of Subsidiaries)

LIST OF SUBSIDIARIES

1. BPI Capital Corporation
2. BPI Direct BanKo, Inc., A Savings Bank (BanKo)
3. BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth
4. BPI International Finance Limited
5. BPI Europe Plc
6. BPI Securities Corp.
7. BPI Payments Holdings Inc. (BPHI)
8. Filinvest Algo Financial Corp.
9. BPI Investment Management, Inc
10. Santiago Land Development Corporation
11. BPI Computer Systems Corp.
12. BPI Forex Corp.
13. BPI Remittance Centre (HK) Ltd.
14. BPI Wealth Singapore Pte Ltd
15. First Far East Development Corporation
16. FEB Stock Brokers, Inc.
17. FEB Speed International
18. Ayala Plans, Inc.
19. FGU Insurance Corporation
20. BPI/MS Insurance Corporation

EXHIBIT C

(Top 20 Stockholders)

BPI STOCK TRANSFER OFFICE
BANK OF THE PHILIPPINE ISLANDS
TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2023

RANK	STOCKHOLDER NAME	OUTSTANDING SHARES	PERCENTAGE	TOTAL
1	AYALA CORPORATION	1,515,177,839	30.6394%	1,515,177,839
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	964,331,662	19.5004%	964,331,662
3	PCD NOMINEE CORPORATION (FILIPINO)	870,758,949	17.6082%	870,758,949
4	LIONTIDE HOLDINGS INC.	823,218,041	16.6468%	823,218,041
5	ROMAN CATHOLIC ARCHBISHOP OF MANILA	357,297,439	7.2251%	357,297,439
6	ROBINSONS RETAIL HOLDINGS, INC.	162,028,250	3.2765%	162,028,250
7	MICHIGAN HOLDINGS, INC.	100,993,230	2.0422%	100,993,230
8	BPI - ESPP 2021	9,913,450	0.2005%	9,913,450
9	MERCURY GRP. OF COMPANIES, INC	8,339,940	0.1686%	8,339,940
10	BPI - ESPP 2022	8,208,700	0.1660%	8,208,700
11	ESTATE OF VICENTE M. WARNS	8,160,037	0.1650%	8,160,037
12	BPI ESPP 2023	7,767,610	0.1571%	7,767,610
13	BPI - ESPP 2019	4,627,240	0.0936%	4,627,240
14	SOCIAL SECURITY SYSTEM	4,554,911	0.0921%	4,554,911
15	BPI GROUP OF COMPANIES RETIREMENT FUND	4,548,420	0.0920%	4,548,420
16	XAVIER P. LOINAZ AND/OR MA. TERESA J. LOINAZ	4,255,918	0.0861%	4,255,918
17	HERMANN BARRETTO WARNS	3,135,572	0.0634%	3,135,572
18	SAHARA MANAGEMENT AND DEVELOPMENT CORPORATION	2,952,394	0.0597%	2,952,394
19	BLOOMINGDALE ENTERPRISES INC	2,925,927	0.0592%	2,925,927
20	SOCIAL SECURITY SYSTEM ASSIGNED TO EMPLOYEES COMPENSATION FUND	2,905,959	0.0588%	2,905,959
				4,866,101,488

EXHIBIT D

(Statistical Report by Sharelots)

BANK OF THE PHILIPPINE ISLANDS

StockTransfer

USER ID : SK192045

STATISTICAL REPORT BY SHARELOTS

BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2023

SHARE LOTS	NUMBER OF STOCKHOLDERS	ISSUED SHARES
1 - 100	1,571	56,169
101 - 500	3,942	1,043,784
501 - 1,000	1,799	1,283,795
1,001 - 5,000	3,021	6,423,102
5,001 - 10,000	544	3,781,934
10,001 - 50,000	601	12,802,036
50,001 - 100,000	115	7,960,351
100,001 - 500,000	127	26,767,205
500,001 - 1,000,000	16	11,745,833
1,000,001 - 5,000,000	12	37,137,935
5,000,001 - 10,000,000	5	42,389,737
10,000,001 - 50,000,000	0	0
50,000,001 - UP	7	4,793,805,410
GRAND TOTAL	**11,760**	**4,945,197,291**